Printed for the use of the Foreign Office. *October* 26, 1874.

CONFIDENTIAL.

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424

CORRESPONDENCE

RESPECTING THE

TURKISH LOANS OF 1858 AND 1862.

1861-74.

25

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CONFIDENTIAL.

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CONFIDENTIAL.

Correspondence respecting the Turkish Loan of 1858.

No. 1.

Sir H. Bulwer to Earl Russell.—(*Received December* 14.)

(No. 812.)

My Lord, *Constantinople, December* 2, 1861.

I HAVE received your Lordship's despatch No. 666 of the 7th ultimo, accompanied by the private letter of Sir Alexander Spearman, as to the proceedings which have been adopted, and those which ought to be adopted, by the Turkish Government, relative to its obligations with respect to the Turkish Loan of 1858, and I have duly communicated to the Porte the substance of that letter.*

In the meantime I am happy to forward to your Lordship the inclosed documents, which I had just previously received, and from which it would appear that the remonstrance made by me with respect to the Loan of 1858 has produced very satisfactory results, and I therefore trust that my present representations will prevent any future irregularity as to the guaranteed Loan of 1858.

I have, &c

(Signed) HENRY L. BULWER.

Inclosure 1 in No. 1.

Mehemed Djemil Bey to Sir H. Bulwer.

M. l'Ambassadeur, *Sublime Porte, le* 18 *Novembre,* 1861.

LE Ministère Impérial a eu l'honneur de recevoir en son temps la note de votre Excellence en date du 3 du mois d'Août dernier,† par laquelle vous lui transmettez, en

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* It is the Loan of 1855 to which the instructions refer.

† *Sir H. Bulwer to Aali Pasha.*

Sir, *Constantinople, August* 3, 1861.

I TRANSMIT to your Highness a copy and translation of a communication received by me from Messrs. Hanson and Gilbertson, Syndics for the loan made in England in 1858, and who are charged with seeing that the conditions then entered into in London are duly fulfilled here.

There is not a word in this communication which I do not cordially support, and I beg to add that there never was a moment in which the Turkish Government should be so scrupulous as to the fulfilment of its engagements since a failure in them may compromise the success of those endeavours, which a young, patriotic, and energetic Sovereign is making to raise his country from the embarrassments in which a series of political events and financial mistakes have involved it.

I avail, &c.

(Signed) H. L. BULWER.

Messrs. Hanson and Gilbertson to Sir H. Bulwer.

Syndicate of the Ottoman Loan of 1858,

Sir, *Constantinople, August* 1, 1861.

IN the performance of our duty to the Bondholders of the Ottoman Loan of 1858, as well as in the interest of the Turkish Government, we feel bound to submit to your Excellency the following observations, and to express

copie et traduction, le rapport soumis le 1er du même mois à l'Ambassade de Sa Majesté Britannique de la part du Syndicat de l'Emprunt de 1858.

Les observations qu'émettaient dans ce rapport MM. Hanson et E. Gilbertson au sujet de la manière dont s'était faite, dans ces derniers temps, la remise mensuelle des fonds affectés au service des intérêts et à l'amortissement des dividendes à Londres, ont été l'objet de la plus sérieuse attention du Gouvernement Impérial, et aujourd'hui je me fais un devoir empressé de vous transmettre ci-joint copie d'une lettre que l'honorable Syndicat précité vient d'adresser à son Excellence le Ministre des Finances.

Ainsi que votre Excellence relevera de la lecture de cette lettre, MM. Hanson et Gilbertson expriment leur satisfaction entière sur la nouvelle impulsion donnée à la marche régulière du service des intérêts et de l'amortissement de l'emprunt en question, et signalent en même temps au Gouvernement Impérial l'heureuse impression produite dans le monde financier à Londres, à l'endroit de notre crédit, par la conduite loyale de la Sublime Porte envers les contractants de cette entreprise.

Aussi comme une preuve correlative de la régularité qui préside au remboursement des capitaux exigés par le service de la dette dont il s'agit, ai-je l'honneur de communiquer ci-avec à votre Excellence copie de l'état soumis au Département des Finances par la direction de la Banque Ottomane à Constantinople, lequel état spécifie la quantité des

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a hope that you will place the matter before the Ministers of His Majesty the Sultan, in such a light as will put an end to the irregularities of which we complain.

Your Excellency is aware that the Customs and Octroi of Constantinople were specially pledged to the contractors for the above loan. The sum necessary for the payment of the interest and sinking fund is to be placed by the Turkish Government in the Bank of England, so as to be available for payment to the contractors, at least fifteen days before the dividends are due. The dividends are payable on the 1st March and 1st September each year, and, consequently, the last days on which remittances can be made from hence so as to arrive in London in time, are the 1st February and 1st August.

A list of the various revenues assigned to the Syndicate for the following twelve months was made in March last, but a portion only of the monthly sums indicated therein has been received by us.

The amount which ought to have been transmitted to England by the 1st instant is 150,000*l*., but of this only about 138,000*l*. had been paid over to us on that date. Of this sum, 50,000*l*. was in the form of a bill on Messrs. Zarifi Brothers, falling due on September 18th, a mode of covering the deficiency calculated to inflict a heavy blow on the rapidly rising credit of Turkish Stock in England, and we look with considerable anxiety to the result of this injudicious step. Coupling this with the fact that after all, a deficiency of above 12,000*l*. still exists, we fear that the excellent effect in a financial point of view produced by the measures adopted by his present Majesty, will be entirely destroyed.

We have made representations from time to time, and in the proper quarters, but evidently without effect; we venture however to hope that your Excellency will be listened to, and that a system so suicidal will be abandoned. No Government can, without infinite discredit, treat a solemn engagement so lightly as the contract between the Ottoman Government and our constituents has been treated.

On behalf of the latter we also demand, through your Excellency, the fulfilment of that clause in the contract which stipulates that there shall be at all times in possession of the syndicate a sum equal to three months' dividend and sinking fund on the loan, namely, 87,500*l*., to be employed in such a manner as may make the loss of interest thereon as little burthensome as possible to the Porte.

We need hardly say that this condition has never been complied with, and we therefore beg your Excellency to take such a course as may be effectual in obtaining for the bondholders of the 1858 loan a strict fulfilment of this, as well as of the other clauses of their contract with the Ottoman Government.

The delay in performing the above portion of the contract may in some measure be excused by the confusion which has so long existed in the Financial Department of the Turkish Government, and it might even now be pleaded that so large a sum lying idle would inflict an inconvenient loss on the Treasury. We are fully prepared with a plan which will not only obviate this objection, but which would render the fulfilment of the condition a positive advantage to the Government in a pecuniary point of view.

It would be unjust were we to omit stating to your Excellency that since the undertaking was given by his Highness Aali Pasha that the dividends should thenceforth be punctually remitted by monthly instalments, a very great improvement has taken place. The sums received by us from the hypothecated revenues amounted only to 1,300,000 piastres in the month of April, but increased to 4,300,000 piastres in June, and to 6,300,000 piastres in July, besides a sum of about 60,000*l*. from Zarifi's bill and other sources.

The point, however, for which we contend is, that we should not be compelled to rely at the last moment on these adventitious aids, but that the whole of the customs and octroi receipts should be paid over to us until the requisite monthly sum is in our hands.

It has been frequently stated that these revenues produce 600,000 gold mejidieh per annum, but during the year ending March 30, 1861, the Syndicate only received from that source 17,185,000 piastres, equal to about 140,000 mejidieh instead of 385,000. Whatever may have been the effect of the commercial crisis, it can scarcely be pretended that it created such a deficiency in that year, nor that the whole of the customs and octroi have only yielded since then 14,615,000 piastres.

Respectfully begging your Excellency to take such steps in the matter as may satisfy the just requirements of the bondholders, we have &c.

(Signed) CHAS. HANSON,
EDWD. GILBERTSON, } *Syndics.*

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réserves en disponibilité entre ses mains pour le remboursement des services qui vont échoir au 1er Mars de l'année prochaine.

Veuillez, &c.
(Signé) MEHEMED DJEMIL.

Inclosure 2 in No. 1.

Messrs. Hanson and Gilbertson to Mehemed Djemil Bey.

M. le Ministre, *Constantinople, le 16 Octobre*, 1861.

NOUS avons l'honneur de soumettre à votre Excellence, comme Président du Syndicat, un état des opérations de la caisse, quant au service des intérêts sur l'emprunt de 1858, payables au mois de Mars prochain et qui exigent, avec l'amortissement, une somme de 204,392*l*.

Il en résulte que depuis le commencement de l'exercice actuel nous avons remis à la Banque d'Angleterre au delà de 69,560*l*., et que nous avons en caisse à la Banque Ottomane 410,619 piastres en métallique et 1,662,487 piastres en caïmé, qui attendent pour être converti en traites le moment quand votre Excellence croira qu'on puisse acheter l'or nécessaire à cet effet sans trop déranger le marché des monnaies. Nous n'avons qu'à nous féliciter de cette situation des affaires du Syndicat.

Au mois d'Août nous avons remis, selon les instructions de Messrs. Dent et Cie., une lettre à son Excellence l'Ambassadeur d'Angleterre, spécifiant les irrégularités qui existaient dans la recette des revenus affectés au service de l'emprunt, et le priant de vouloir bien exercer son influence auprès de la Sublime Porte, afin de mettre un terme à une situation qui faisait un tort immense au crédit de la Turquie à l'étranger. En même temps nous avons adressé à votre Excellence une lettre dans le même sens.

Il nous est bien agréable maintenant de pouvoir féliciter votre Excellence de la part de nos commettants sur le résultat de son empressement à faire droit à nos réclamations, et de dégager la parole donnée par Son Altesse Aali Pacha que les revenus hypothéqués pour l'emprunt seraient remis mensuellement. Nos prévisions quant à l'effet sur l'opinion publique en Angleterre d'une telle mesure sont réalisées. "L'Economist," le "Daily News," et le "Money Market Review," les trois principaux journaux financiers de Londres, ont parlé avec (*sic*) beaucoup, et à plusieurs reprises, des évidences de la bonne foi du Gouvernement de Sa Majesté Impériale données par la manière dont il remplit actuellement les conditions du contrat. Le dernier journal, qui était l'organe d'un mouvement très sérieux à la Bourse pour l'établissement d'un Comité permanent, ayant pour but d'obtenir l'intromission du Gouvernement Anglais en faveur des propriétaires de l'emprunt, appelle maintenant l'attention du public à la marche des remises actuelles, et exprime son étonnement que le cours de l'emprunt ne touche pas au pair de son emission, et que cette valeur ne jouit pas d'une faveur plus marquée comme placement.

Messrs. Dent et Cie. nous écrivent que cette agitation hostile a cessée, et dans leur lettre du 12 Septembre ils disent qu'il y a évidemment une forte impression parmi le public que le crédit du Gouvernement Ottoman a été indûment déprécié. Dans leurs lettres du 19 Septembre et du 3 Octobre ils expriment leur satisfaction des preuves données par nos remises que les revenus des Douanes, &c., sont réellement appropriés au service de l'emprunt, et que le Gouvernement de Sa Majesté agit envers les propriétaires de l'emprunt avec bonne foi.

Nous sommes convaincus que ces évidences de l'heureux effet des mesures prises par votre Excellence l'encourageront à exercer une vigilance continuelle quant à la marche des encaissements, et nous ne doutons pas qu'ainsi le crédit public de la Turquie ne tardera pas à se raffermir, et que le résultat en sera des plus heureux, en facilitant l'accomplissement des idées bienveillantes de Sa Majesté le Sultan envers ses sujets.

Nous avons, &c.
(Signé) CH. HANSON,
C. GILBERTSON,
Syndics.

Inclosure 3 in No. 1.

Mr. Gilbertson to Teffik Pasha.

Ottoman Bank, Constantinople, October 31, 1861.

Excellence,

NOUS avons l'honneur d'informer votre Excellence pour sa gouverne que la somme totale à être remise à Londres pour le 1 Février, 1862, pour compte du dividende et amortissement de l'Emprunt Ottoman de 1858 échéant de 1 Mars, 1862, est de (y compris les frais de Messrs. Dent, Palmer, et Cie.) 204,392*l.* 6*s.* 6*d.* sterling.

Nous avons déjà remis à la Banque d'Angleterre au 30 courant, 92,010*l.* 14*s.* 5*d.*, ce qui laisse une somme de 112,381*l.* 12*s.* 1*d.* à être remise comme ci-dessus.

A valoir sur cette somme, nous avons en caisse ce jour, 1,664,345 piastres caïmés, et 105,934 livres Turques.

Nous avons, &c.

(Signé) EDM. GILBERTSON, *Directeur.*

No. 2.

Mr. Meadows to Earl Russell.—(*Received April* 19.)

20, Throgmorton Street, London, April 17, 1862.

My Lord,

I HAVE the honour to transmit herewith, for your Lordship's kind consideration, a Memorial from the Committee of Turkish bondholders of 1858; and have been requested to beg that any reply which your Lordship may be good enough to afford thereto may be addressed to me.

I have, &c.

(Signed) H. J. MEADOWS, *Hon. Sec.*

Inclosure in No. 2.

Memorial.

The Right Honourable Earl Russell, Her Majesty's Principal Secretary of State for Foreign Affairs, &c., &c., &c.

The Memorial of the Committee of Turkish bondholders, appointed at a public meeting held at the London Tavern on the 11th day of October, 1861, to represent the interests of the bondholders of the loan contracted in the year 1858, by authority of His Imperial Majesty the Sultan of Turkey.

Respectfully Showeth,

THAT the Government of His Imperial Majesty the Sultan contracted in London in the month of September, 1858, a loan for the amount of 5,000,000*l.* sterling, with the stated object (as put forward in the following prospectus inviting applications) of applying the proceeds of the loan to the extinction of the paper money (caimès) then circulating throughout the Empire of Turkey.

"1858.

"*Imperial Turkish* 6 *Per Cent. Loan for* 5,000,000*l. sterling.—First issue of* 3,000,000*l. at* 85 *per cent.*

"The bonds, with coupons attached, payable half-yearly at the counting-house of Messrs. Dent, Palmer, and Co. in London on the 1st March and 1st September.

"To be redeemed at par by annual payments of 1 per cent. of the amount of the loan with the interest upon the redeemed portion of the loan, the first repayment to be made on the 1st March, 1860.

"This loan is to be charged not only on the general revenues of Turkey, but is also specifically secured, principal and interest, by the assignment of the revenues arising from the Customs duties and the Government octroi levied at Constantinople.

"These revenues in the year 1857 amounted to 600,000*l.*

"The Imperial Government will appoint a special Commission for the purpose of

superintending the collection of these revenues, composed of five members, two of whom are to be named by the Government, two by the contractors, the President to be the Minister of Finance. The gentlemen appointed by the contractors will act as trustees for the bondholders, and will have a voice equal to that of the remaining members of the Commission.

"The Commission will be instructed by the Imperial Government to take such measures as shall insure a sum equal to three months' interest on the loan, being always in the hands of the Commission; and that remittances be made to the Bank of England through the agency of the Ottoman Bank to provide cash for the payments of interest and principal at least one month before their becoming due.

"The gentlemen to be named by the contractors in the first instance are Charles Hanson, Esq., Constantinople, and Mr. F. de P. Falconnet, Manager of the Ottoman Bank.

"This loan having for its special object a reform in the financial condition of Turkey, the Imperial Government engages that its proceeds shall be faithfully applied to the withdrawal of the inconvertible paper currency, for which the Government is responsible; and at the earliest moment that a scheme shall be laid down for this purpose, and published throughout the Empire.

"An Imperial Firman is to be issued with especial reference to the Commission and its duties, which, with the Firman authorizing the loan, will be deposited in the Bank of England.

"The Undersigned are prepared to receive applications for the first issue of 3,000,000*l.* sterling at the price of 15 per cent. on the following conditions:—

"5	per cent.	on deposit to Glyn and Co.
15	"	8th December.
15	"	8th October.
20	"	8th November.
15	"	8th December.
15	"	10th January, 1859.
85	per cent.	

"The 5 per cent. deposit will, upon allotment, be carried to the credit of each subscriber; in the event of the deposit exceeding the amount of 20 per cent. on the allotment, the balance will be returned forthwith.

"Holders of the scrip of the first issue will have the option of taking at the same price eighty-five, and, on the same terms, a further amount equal to two-thirds of the further issue to be declared on or before the 8th October next.

"Should the whole of the remaining 2,000,000*l.* not be subscribed for, the Turkish Government binds itself not to issue the remaining portion below 90 per cent. for the space of twelve months from the date.

"The bonds to be paid off will be drawn by lot in the usual manner, in the presence of the Ambassador in London of the Sublime Porte, the contractor of the loan, and a notary public.

(Signed) "DENT, PALMER AND CO.

"Application to Messrs. Dent, Palmer, and Co., direct or under cover to the Ottoman Bank."

That, as security for the payment of interests as dividends, and for the redemption of the debt, your Lordship will observe that, whilst the entire general revenues of the Ottoman Empire were pledged, those which were derived from Customs and octroi duties at Constantinople were especially hypothecated thereto.

That it was stated that, as an additional security to the bondholders, a Commission should be nominated and appointed, to consist of five members, of whom two should be named by the contractor of the loan, two by the Turkish Government, and the President to be the Minister of Finance for the time being, whose duty it would be to receive the produce of the Customs and octroi duties so hypothecated to the bondholders, and to remit the same direct to the Bank of England.

That it was agreed that an amount of money, equal to a dividend for three months, should always be left in the hands of the syndicate.

That your Memorialists are desirous of acquainting your Lordship that, in June 1861, instead of the remission direct of the said funds having been accomplished by the Ottoman Government as agreed, bills of exchange were remitted, drawn on Messrs. Mires and Co. of Paris (contractors for a new loan attempted to be raised in that city in 1860), constituting thereby not only a violation of the contract with the bondholders, but by the grave doubts which existed whether the said bills of exchange would be duly honoured at

maturity, jeopardizing in reality the prompt payment of the dividends accruing on the 1st March, 1861, and depreciating the value of the stock to the price of 55 per cent.

That, on the 15th March following, a Memorial, signed by nearly two-thirds of the holders of the debt represented by your Lordship's Memorialists, was presented to his Excellency the Turkish Ambassador in London, for transmission to his Government, in which Memorial it was stated that great advantage would accrue to the credit of the Government if arrangements were made, for the future, for the monthly transmission to this country of the revenues so hypothecated.

That, on the 1st May, a telegraphic message, of which the following is a copy, was received by Mr. H. J. Madocos, of Throgmorton Street, London, on behalf of the bondholders, from the Turkish Ambassador, stating that the request of the bondholders had been acceded to:—

"*Telegraphic Despatch from the Minister of Foreign Affairs to the Turkish Ambassador in London.*

"*Constantinople, April* 30, 1861.

"The monthly and direct remittance of the funds to the Syndicate appropriated to the service of the loan of 1858 has been decided upon. All the necessary arrangements have been made.

"I authorize you to convey the foregoing to the knowledge of whom it may concern. Details by post."

That the Turkish Government, as before stated, having retained possession of the proceeds of the Customs solemnly hypothecated to the bondholders, and having substituted bills of exchange upon Paris, having, moreover, omitted to comply with a condition of the prospectus, on the faith of which the loan was subscribed in the city, namely, that of always maintaining an amount in hand equal to three months' dividend, a public meeting of the bondholders was holden at the London Tavern on the 11th October, 1861, and a Committee, consisting of your Lordship's Memorialists, was then and there appointed to represent for the future the interests of the bondholders.

That the remittances on behalf of the dividends and sinking funds came forward, after the new arrangement, until January 1862, but have since totally ceased.

That your Memorialists have several times written to Messrs. Dent, Palmer, and Co., the contractors of the said loan, for information on these and other subjects connected with this loan, but they have been unable to obtain any satisfactory information from them.

That your Memorialists have the highest confidence in the good faith and integrity of the Ottoman Government, nevertheless, they cannot but view with extreme anxiety the non-fulfilment on its part of the contracts it has entered into, the slightest deviation from which is calculated to militate so seriously against the credit of the Turkish Empire.

That your Memorialists, observing the anxious solicitation and laudable desire the Government of Her Britannic Majesty has evinced for the improvement of the financial position of the Government of His Imperial Majesty the Sultan, humbly venture to beg that the good offices of Her Majesty's Government may be exercised through the medium of his Excellency Sir H. Bulwer, at Constantinople, to induce the Ottoman Government in every way to fulfil to the letter the obligations entered into, enhancing thereby the credit of Turkey, and assisting her in attaining that high financial position a country so important should possess.

That your Memorialists desire to state that they have had several interviews with his Excellency M. Musurus, the Ottoman Ambassador, by whom they have always been received with the greatest courtesy.

That there are other points of importance to which your Memorialists are anxious to call your Lordship's attention, especially as regards the appointment of Lord Hobart, and which can be better explained by a personal interview, therefore they most earnestly entreat your Lordship to appoint as early a day as your Lordship's convenience may permit of to receive a deputation from the Committee for the purpose.

And your Memorialists will ever pray, &c.

(Signed) W. A. MACKINNON, M.P., *Chairman.*
ROBERT BROOKS, M.P.
R. HODGSON.
S. B. WORMS.
H. J. MEADOWS.

London, 20, *Throgmorton Street, April* 9, 1862.

No. 2 A.

Mr. Hammond to Mr. Meadows.

Foreign Office, April 22, 1862.

Sir,

I AM directed by Earl Russell to acknowledge the receipt of your letter of the 17th instant inclosing a memorial from the Committee of Bondholders of the Turkish Loan of 1858, complaining of the failure of the Turkish Government to act up to its engagements, and requesting his Lordship to receive a deputation of that Committee.

I am to state to you, in reply, that Lord Russell must defer seeing the deputation in question until his Lordship has communicated with Her Majesty's Ambassador at Constantinople on the subject of the Committee's memorial.

I am, &c.
(Signed) E. HAMMOND.

No. 2 B.

Earl Russell to Sir H. Bulwer.

(No. 192.)

Foreign Office, April 24, 1862.

Sir,

I TRANSMIT to your Excellency copies of a letter, and of its inclosure, which I have received from the Committee of Bondholders of the Turkish Loan of 1858, complaining of the failure of the Porte to act up to its engagements;* and I have to desire you to report to me fully and without loss of time on the statement of the complainants, and to explain to me at the same time why the expectations held out in the inclosures of your despatch No. 812 of the 2nd of December last, respecting the payments on account of the Loan of 1858, have not been realized.

You will observe that the Committee declare that the remittances on behalf of the Dividends and Sinking Fund of the said Loan have been made up to January, but have since entirely ceased.

I have caused the persons composing this Committee to be informed that I cannot receive a deputation from them until I shall have heard from you on the subject of their letter.

I am, &c.
(Signed) RUSSELL.

No. 3.

Sir H. Bulwer to Earl Russell.—(*Received May* 16.)

(No. 249.)

Constantinople, May 7, 1862.

My Lord,

I HAVE brought the failure of the Porte to fulfil the conditions it is bound to observe with respect to the Loan of 1858 very strongly before Fuad and Aali Pashas, who have made a variety of excuses, which, as no excuses on this subject can be satisfactory, are unsatisfactory; but they have promised instantly to correct their fault.

I have, &c.
(Signed) HENRY L. BULWER.

No. 4.

Mr. Hammond to Mr. Meadows.

Foreign Office, May 20, 1862.

Sir,

WITH reference to my letter of the 22nd ultimo, I am directed by Earl Russell to acquaint you, for the information of the Committee of Bondholders of the Turkish Loan of 1858, that Her Majesty's Ambassador at Constantinople has strongly urged their case upon the Porte, and that the Turkish Government has promised immediately to fulfil the conditions which it is bound to observe in regard to the above-mentioned Loan.

I am, &c.
(Signed) E. HAMMOND.

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* No. 1.

No. 5.

Earl Russell to Lord Hobart.

Foreign Office, June 18, 1862.

My Lord,

I RECEIVED at this Office, a few days ago, a deputation from the British holders of the bonds of the Turkish Loan of 1858, who represented to me their grievances arising out of the failure of the Porte to fulfil its obligations towards them, and left with me a memorandum on the subject, of which I inclose a copy.

Her Majesty's Ambassador at Constantinople has already, by my instructions, brought the complaints of these persons under the notice of the Turkish Government, who could offer no satisfactory explanation, but promised to repair their breach of engagements.

I have now, however, to instruct your Lordship to inquire unofficially of the Grand Vizier respecting the non-fulfilment of the promises made to the bondholders and the measures which the Porte proposes to take in order to carry out the conditions of the loan of 1858; and I have to authorize you to apply to Sir Henry Bulwer to assist you in the endeavours you may make to effect a satisfactory arrangement in this matter.

I am, &c.

(Signed) RUSSELL.

Inclosure in No. 5.

Memorandum.

IN the month of September 1858 the Turkish Government made a loan for 5,000,000*l.*, which it was engaged should be faithfully applied to restoring the currency by buying up the depreciated paper caïmés; and, amongst other stipulations, it was agreed that the Customs and octroi of Constantinople, hypothecated expressly to this loan, should be assigned to commissioners and trustees, who were to act for the bondholders, and at all times to receive these duties, and at all times to retain three months' dividends, even after remitting to England the requisite amounts for the dividends and sinking fund.

Instead of fulfilling the agreement to buy up and destroy the caimès, which at the time of the loan were less than 5,000,000*l.*, a pretence was made of burning a few, and, according to Lord Hobart's Report, the amount in circulation is at least 10,000,000*l.* sterling.

The Customs and octroi duties of Constantinople were said in the advertisements for the loan to have amounted in 1857 to 600,000*l.*, but neither from Lord Hobart or any other source can it be found that there is any octroi duty in existence; indeed, Lord Hobart, in page 33 of his Report, speaks of "the exemption of Constantinople and its environs from direct taxes," thus showing that no octroi exists.

With regard to the appointment of Commissioners, to act as a Syndicate and to protect the interests of the bondholders, the Committee have not been able to get any information as to their functions or powers. The contractors, Messrs. Dent, Palmer, and Co., have been applied to without success; the Turkish Ambassador has also been asked in vain; and it is believed that, at this moment, the Government takes the duties and applies them, without scruple, to such other purposes as they like. And, as to any sum of 75,000*l.*, being the amount of three months' dividends, always being in the hands of the trustees, the Committee cannot even hear of any such fund, and altogether doubt its existence. These breaches of faith are so contrary to all principles of law and equity, that the Committee respectfully ask the assistance of Her Majesty's Government to get these duties properly assigned over to trustees according to the contract, or else to do that which any court of law in the kingdom would do as between private individuals and public bodies—call upon them, in default, to restore and pay back at once the principal money lent. And it is presumed that the Turkish Government is equally subject to the laws of this country in being bound to fulfil its engagements.

In April 1861 a memorial, signed by four-fifths of the bondholders, was presented to the Turkish Ambassador, who, in answer thereto, received from Constantinople the following telegram:—"The monthly and direct remittance of the funds to the Syndicate appropriated to the Loan of 1858 has been decided upon. All the necessary arrangements have been made." And for some months afterwards remittances did from time to time arrive, but the very last remittance from Constantinople of 11,681*l.* was dispatched on the 8th of January, and nothing has since been forwarded. Certain members of the Com-

mittee called upon M. Musurus in March last to ask him to draw the attention of his Government to the cessation of remittances, and, though he promised to write at onceupon the subject, his remonstrances have had no effect.

London, June 13, 1862.

No. 6.

Earl Russell to Sir H. Bulwer.

(No. 320.)

Foreign Office, June 18, 1862.

Sir,

WITH reference to your Excellency's despatch No. 249 of the 7th ultimo, I transmit for your information a copy of an instruction which I have addressed to Lord Hobart, respecting the complaints of the holders of the bonds of the Turkish Loan of 1858;* and I have to desire that you will afford Lord Hobart every assistance in your power in his endeavours to effect a satisfactory arrangement of the grievances of those bondholders.

I am, &c.

(Signed) RUSSELL.

No. 6*.

Lord Hobart to Earl Russell.—(Received July 12.)

(No. 3.)

Constantinople, July 2, 1862.

My Lord,

I HAVE the honour to acknowledge the receipt of your Lordship's despatch of the 18th ultimo, inclosing a copy of a Memorandum, which had been left with your Lordship by a Deputation from the British holders of bonds in the Turkish Loan of 1858.

The Mememorandum represents in effect:—

1. That the loan was contracted for the purpose of withdrawing the "Caïmé," and that, nevertheless, Caïmé to the amount of 10,000,000*l.* sterling is still in existence.

2. That whereas, the Customs and octroi duties of Constantinople were hypothecated for the payment of the interest and sinking fund on this loan, it appears that there is no octroi duty at Constantinople.

3. That the engagement under which the loan was made to appoint a Syndicate for the protection of the bondholders, and to place in its hands the revenues appropriated to the payment of the interest and sinking fund has not been fulfilled; and that the Committee are unable to obtain information as to the powers and functions of the Syndicate.

4. That the stipulation by which a sum of 75,000*l.* (or three months' dividend), should always be in the hands of the Syndicate has been disregarded.

5. That since a remittance of 11,681*l.* in January last, no money has been sent to England on account of the loan.

Upon these representations I have to observe:—

1. That by the month of September 1860, of a paper circulation amounting in round numbers to about 600,000,000 piastres (5,400,000*l.*), about 450,000,000 piastres (4,050,000*l.*) had been withdrawn by means of the Loan of 1858. The disturbances in Syria prevented the completion of the operation; and its increasing financial embarrassments, combined with the impossibility of obtaining a new loan, induced the Turkish Government to resort to the expedient of a further issue of paper-money, the amount of which now in circulation is about 9,000,000*l.*, which is (as your Lordship is aware) about to be withdrawn.

2. A considerable sum is annually derived from the octroi duties of Constantinople; but I am unable to state its amount. No separate account appears to be kept of the proceeds of the octroi duties, which in the Appendix to the Report made by Mr. Foster and myself to your Lordship in December last, are classed under the head of "Droits divers." With regard to the observations in the Memorandum that the Report referred to, and "speaks of the exemption of Constantinople and its environs from direct taxes," I have to state that we did not consider octroi duties to be direct taxes.

3, 4, and 5. A Syndicate, of which the members representing the interests of the bondholders were Messrs. Hanson and Falconnet, and are now Messrs. Hanson and Gilbertson, was appointed immediately on the completion of the loan. Its functions are defined in the contract for the loan to be "the individual and collective supervision of

* No. 5.

all the operations connected with the receipt and payment of the funds received for payment of the dividend and sinking fund of the loan."

In no instance since the completion of the loan has the Turkish Government failed to provide for the payment, through the Syndicate, of the dividends (which are payable on the 1st of March and 1st of September in every year) on the day on which they were due. Some of the stipulations of the contract for the loan were, however, for a long time disregarded. The provision referred to in the Memorandum, which requires that a sum of 75,000*l.* should always be in the hands of the Syndicate, is one with which the state of its finances has never allowed the Turkish Government to comply. Another stipulation, under which the amount necessary for the payment of the dividends should be in London fifteen days before they are due, was also for a considerable time unfulfilled. Moreover, the form in which the proceeds of the Customs and octroi duties of Constantinople were consigned to the Syndicate (in pursuance of a promise that the payments should be made in monthy instalments) was usually that of orders on the "farmers" of these revenues, from whom it was frequently impossible to obtain the money. But, in August 1861, in consequence of representations made by the Syndicate to Her Majesty's Ambassador at the Porte, an important change was made by the Turkish Government in the system of payment. The "farming" of the Customs duties having by that time ceased, it was arranged that a sufficient portion of the moneys recieved from Customs and octroi duties at Constantinople should be directly handed over by the Receivers of those duties to the Syndicate; and by the end of December last the whole amount of dividend due on the 1st of March last had been paid to the Syndicate out of the proceeds of these duties, and by them forwarded to England, with the exception of 11,681*l.*, which is the sum referred to in the Memorandum as having been sent to England on the 8th of January last.

As regards the dividend due on the 1st of September next, the same system of direct consignment of the Customs and octroi duties to the Syndicate has been pursued; and remittances to England amounting to 65,000*l.*—viz., 20,000*l.* in April and 45,000*l.* in May—have already been made by the Syndicate towards the payment of that dividend. A further remittance of 45,000*l.* is about immediately to be made by them; and at the end of the present month the balance necessary to complete the dividend will, there is every reason to believe, have also been remitted.

In order to save the useless expense of a double transmission of money, these several remittances will, for the most part, have been made in the form of orders upon the funds at the disposal, in London, of the Turkish Government on account of the recent loan, and the sums themselves consigned by the Syndicate to the Turkish Government, to be dealt with as forming part of that loan.

Under these circumstances, I submit to your Lordship that there is at present no ground of complaint on the part of the bondholders in the Loan of 1858 of such practical importance as to render it necessary or desirable that I should communicate with the Grand Vizier on this subject. The statements which I have made with regard to it are based upon information obtained from one of the English members of the Syndicate, as well as (in some respects) upon my own knowledge, and may be relied upon by your Lordship as substantially accurate.

I have, &c.

(Signed) HOBART.

No. 7.

Sir H. Bulwer to Earl Russell.—(Received July 18.)

(No. 404.)

Constantinople, July 6, 1862.

My Lord,

LORD HOBART has shown me his despatch in answer to your Lordship's, respecting statement made to Her Majesty's Government by the British holders of bonds in the Turkish Loan of 1858; and your Lordship will see from Lord Hobart's observations that, since my interposition in August 1861, there has really been no great ground for complaint against the Turkish Government.

I have, &c.

(Signed) HENRY L. BULWER.

No. 8.

Mr. Layard to Mr. Meadows.

Foreign Office, July 18, 1862.

Sir,

I AM directed by Earl Russell to state to you that he has caused an inquiry to be made into the complaints of the bondholders of the Turkish Loan of 1858 against the Porte for non-fulfilment of its engagements, and that for this purpose his Lordship transmitted to Constantinople a copy of the Memorandum which a deputation from the Committee of Bondholders placed in his hands on the 13th of June last.

I am to acquaint you, in reply, that his Lordship has been informed that a large portion of the paper money in circulation in 1858 had been withdrawn by means of the loan raised in that year, but that the disturbances in Syria prevented the completion of the operation, and that the financial embarrassments of the time, combined with the impossibility of then obtaining a new loan, induced the Turkish Government to resort to the expedient of a further issue of paper money, which it is now the declared intention of the Turkish Government to withdraw by means of the loan recently contracted in this country.

The Committee of the Bondholders appear to have been misinformed with regard to the collection of the octroi duties. Those duties are collected, but as no separate account is kept of them, they are classed in the Appendix to the Report of Lord Hobart and Mr. Foster under the head of "Droits Divers," and are not considered to be direct taxes.

A Syndicate, in which the interests of the bondholders are now represented by Messrs. Hanson and Gilbertson, was appointed immediately on completion of the loan of 1858, and the functions of the Syndicate are defined in the contract for the loan to be "the individual and collective supervision of all the operations connected with the receipt and payment of the funds received for payment of the dividends and sinking-fund of the loan."

Lord Russell is informed that in no instance since the completion of the Loan of 1858 has the Turkish Government failed to provide for the payment, through the Syndicate, of the dividends on the days upon which they were due, viz., the 1st of March and 1st of September in every year.

The provision referred to in the memorandum of the deputation, which requires that a sum of 75,000*l.* should always be in the hands of the Syndicate, is a stipulation with which the Porte has not been able to comply in consequence of the state of its finances; and another stipulation, under which the amount requisite for paying the dividends ought to be placed in London fifteen days before they are due, was also for a considerable time unfulfilled.

But, in August 1861, in consequence of representations made by the Syndicate to Her Majesty's Ambassador at Constantinople, an important change was made in the system of payment. The farming of the Customs duties having at that time ceased, it was arranged that a sufficient portion of the moneys received from Customs and octroi duties should be directly handed over by the receivers of those duties to the Syndicate; and, by the end of December last, the whole amount of the dividend due on the 1st of March last had been paid, so Lord Russell has been informed, to the Syndicate out of the proceeds of those taxes, and had been forwarded by the Syndicate to England, with the exception of 11,681*l.*, which is stated to be the sum referred to in the memorandum of the deputation as having been transmitted to England on the 8th of January last.

His Lordship has been further informed that the same system of direct consignment of Customs and octroi duties to the Syndicate has been pursued with regard to the dividend due on the 1st of September next; and remittances to this country amounting to 65,000*l.*—viz., 20,000*l.* in April and 45,000*l.* in May last—are represented to have already been made by the Syndicate towards the payment of that dividend. A further remittance of 45,000*l.*, it is stated, is about to be made by the Syndicate, and at the end of this month the balance necessary to complete the dividend will, there is every reason to suppose, have also been remitted.

I am to state to you that Lord Russell has reason to believe that the above statements are substantially correct, and that his Lordship considers that there is at present no ground of complaint on the part of the bondholders of the unguaranteed Loan of 1858 of such practical importance as to call, at present, for the further interference of Her Majesty's Government with the Government of Turkey on behalf of those bondholders.

I am, &c.

(Signed) A. H. LAYARD.

No. 9.

Mr. Meadows to Earl Russell.—(Received August 22.)

My Lord,

20, Throgmorton Street, London, August 1, 1862.

I HAVE the honour to acknowledge the receipt of your Lordship's letter of the 18th ultimo, and I am desired by the Committee to express their thanks for your Lordship's interference on behalf of the bondholders of the Ottoman Loan of 1858, and I trust your Lordship will permit me, in explanation, again to allude to that portion of the Memorials which is not even mentioned by Mr. Layard, viz.: the assignment of the Customs and octroi duties to a Commission, acting as trustees for the bondholders, and I have the honour to inclose printed copies of the advertisements put forth by the contractors, and the form drawn by them, which the subscribers to the loan were required to fill up and leave, when they paid the deposit to the bankers. This was equally binding upon both parties, and if the subscribers failed to fulfil the conditions set forth, the deposits were to be absolutely forfeited.

The subscribers, having fulfilled all their payments, naturally ask for the security promised, and there can be no doubt of the legality of the demand, for the general bond bears date the 28th August, 1858, and the inclosed 30th August, 1858, the latter asserting that the loan is specially secured by the (then) assignment of the Customs and octroi duties, and, in fact, that the security was then, to all intents and purposes, fully assigned.

The Syndicate, which your Lordship is informed in the action, has been valueless to the bondholders at this moment. Thanks to your Lordship's kind remonstrance, there is in the Bank of England, or Ottoman Bank in London, 140,000*l.*, but there should be 150,000*l.*—the amount of the dividend due 1st September. And, with regard to an extract in your Lordship's letter as to the duties of the Syndicate, the bondholders know nothing, and never heard of it before, and it is presumed that the paper signed upon payment of the money by the subscribers, is the contract, and the only contract, for which they still respectfully ask your Lordship's interference, for if it should once become known throughout the Exchanges of Europe that the Ottoman Government, after receiving the money for a loan, refuse to give the security promised in consideration thereof, there would be at once and for ever an end of their credit, and the contractors would be called upon to suffer the loss, and return the money.

The admissions that the sum of 75,000*l.* has never been in the hands of the Syndicate, and that the amounts have not been in the Bank of England one month before the payments of the dividends, are further and stronger reasons for the bondholders insisting upon the proper securities being at once given, and, although no absolute default has yet arisen in the payments of the dividends, the remittance of "mires" bills, and their payment only a few days before the house stopped, shows the pressing necessity of having those securities properly assigned to the trustees to prevent all future excuses or irregularity.

I have, &c.

(Signed) H. J. MEADOWS, *Hon. Sec.*

Inclosure in No. 9.

1858.

Imperial Turkish 6 Per Cent Loan for 5,000,000*l. sterling.*

First issue 3,000,000*l.*, at 85 per cent. In Bonds, with Coupons attached, payable Half-yearly, at the Counting-house of Messrs. Dent, Palmer and Co., in London, on 1st March and 1st September.

To be Redeemed at Par by Annual Repayments of One per Cent. of the Amount of the Loan, together with the Interest upon the Redeemed Portion of the Loan; the First Repayment to be made on 1st March, 1860.

THIS loan is to be charged not only on the general revenues of Turkey, but is also specially secured, principal and interest, by the assignment of the revenues arising from the Customs Duties and the Government octroi levied at Constantinople.

These revenues in the year 1857 amounted to 600,000*l.*

The Imperial Government will appoint a special Commission for the purpose of

superintending the collection of these revenues composed of five members, two of whom are to be named by the Government, and two by the contractors for this loan; the President to be the Minister of Finance. The gentlemen appointed by the contractors will act as trustees for the bondholders, and will have a voice equal to that of the remaining members of the Commission.

The Commission will be instructed by the Imperial Government to take such measures as shall insure a sum equal to three months' interest on the loan, being always in the hands of the Commissioners; and that remittances are made to the Bank of England, through the agency of the Ottoman Bank, to provide cash for the payments of interest or principal, at least one month before their becoming due.

The gentlemen who will be named by the contractors in the first instance are Charles Hanson, Esq., of the firm of Messrs. Charles S. Hanson and Co., Constantinople, and Mr. F. de P. Falconnet, Manager of the Ottoman Bank.

This loan having for its special object a reform in the financial condition of Turkey, the Imperial Government engages that its proceeds shall be faithfully applied in the withdrawal of the inconvertible paper currency for which the Government is responsible; and at the earliest moment that a scheme shall be laid down for this purpose, and published throughout the Empire.

An Imperial Firman is to be issued with especial reference to the Commission and its duties, which, with the Firman authorizing the loan, will be deposited in the Bank of England.

The undersigned are prepared to receive applications for the first issue of 3,000,000*l.* sterling at the price of 85 per cent., on the following conditions:—

5 per cent.	(o/a Deposit)	to be paid to Messrs. Glyn, Mills and Co. prior to application.	
15	"	(Balance do.)	on 8th September.
15	"	"	8th October.
20	"	"	8th November.
15	"	"	8th December.
15	"	"	10th January, 1859.
85 per cent.			

On default of payment of any instalment on the day named, the previous payments to be forfeited.

Discount at the rate of 4 per cent. per annum on the instalments, will be allowed on payments in full.

Scrip will be issued by the undersigned on presentation of the banker's receipt for the full deposit of 20 per cent.

The 5 per cent. deposit will, upon allotment, be carried to the credit of each subscriber; in the event of the deposit exceeding the amount of 20 per cent. on the allotment, the balance will be returned forthwith.

Holders of scrip of the first issue will have the option of taking at the same price (85 per cent.), and, on the same terms, a further amount equal to two-thirds of their scrip, such option to be declared and a deposit of 20 per cent. paid to Messrs. Glyn, Mills and Co., on or before the 8th October next, but no fractional amount of 100*l.* will be allotted.

Should the whole of the remaining 2,000,000*l.* not be subscribed for, the Turkish Government binds itself not to issue the remaining portion at a price below 90 per cent. for the space of twelve months from this date.

The bonds to be paid off will be drawn by lot in the usual manner, in the presence of the Ambassador at London of the Sublime Porte, the contractors of the loan, and a notary public.

The numbers of the bonds to be advertised in the daily papers.

(Signed) DENT, PALMER & Co.

London, August 30, 1858.

Applications for allotment may be addressed to Messrs. Dent, Palmer and Co., direct, or under cover to the Ottoman Bank.

Forms may be obtained of Messrs. Dent, Palmer and Co., No. 11, King's Arms Yard, London, E.C.; the Ottoman Bank, 26, Old Broad Street, E.C.; Messrs. Mullens, Marshall, and Daniell, 3, Lombard Street, E.C.; and Messrs. Laurence, Son, and Pearce, Auction Mart, City.

No application will be received after 4 o'clock on Thursday, 2nd September, 1858.

No. 10.

Earl Russell to Lord Hobart.

Foreign Office, September 1, 1862.

My Lord,

WITH reference to your despatch No. 3 of the 2nd of July, I transmit herewith, for any observations that you may have to make upon it, a copy of a further letter which I have received on the subject of the complaints of the Bondholders of the Turkish Loan of 858 against the Porte.

I am, &c.

(Signed) RUSSELL.

No. 11.

Lord Hobart to Earl Russell.—(Received September 26.)

(No. 9.)

Constantinople, September 17, 1862.

My Lord,

I HAVE the honour to acknowledge the receipt of your Lordship's despatch of the 1st instant, transmitting, with reference to former correspondence, a copy of a further letter on the part of a Committee of Bondholders in the Turkish Loan of 1858.

The points on which the Committee is still unsatisfied appear to be three, viz.:—

1. The Committee urges that the revenues guaranteed for payment of the interest and sinking fund of the loan should be "properly assigned to trustees."

Upon this I have to observe that the Contract for the Loan, of which the Committee states that it knows nothing, but by which alone the Turkish Government is bound, provides (section 6) that "the general revenues of the Ottoman Empire shall be bound for the payment of principal and interest of the loan; but as a special guarantee for the said payment the Ottoman Government specially and preferentially charges the duties of Customs levied at Constantinople, and also the Government octroi levied in that Capital, and which directly belong to the said Government:—

That, "there shall be established at Constantinople a Treasury, which shall be exclusively confided to a Commission appointed by the Ottoman Government. The Commission shall consist of five members, of whom two shall be named by the said Government, two by the Contractors, and a fifth, who shall be its President, shall be the Minister of Finance;" and that "the revenues necessary to meet the interest on the loan and the fund for repayment of the bonds thereinafter mentioned, shall be paid into the Treasury of this Commission."

These provisions were carried into effect by an Imperial Firman immediately on the completion of the loan; and the Commission, or Syndicate, which was appointed accordingly, as stated in my despatch No. 3, has duly performed the functions allotted to it, and has regularly remitted to England the moneys paid into its Treasury by the Turkish Government, such payments being now made directly to the Syndicate by the Receivers of the Customs and octroi duties at Constantinople.

So far, therefore, as the "proper assignment to trustees" of the hypothecated revenues is concerned, the Turkish Government has fulfilled the conditions under which the loan was contracted.

2. The Committee complains that the sums necessary for payment of the interest on the loan are not lodged in the Bank of England one month before the payment of the dividend.

The contract requires (section 10) that "the funds for the payment of the dividends and for the redemption of principal shall be placed by the Imperial Government in the Bank of England, so that the same may be available for that purpose, to be paid over to the Agents for the said loan by order of His Imperial Majesty's Representative at London at least fifteen days before the time fixed for the payment thereof, to the intent that they may be duly advertised."

This provision is now regularly complied with by the Turkish Government.

3. The Committee remarks upon the non-fulfilment of the agreement under which a sum of 75,000*l.* was always to be in the hands of the Syndicate.

It is true that this stipulation of the Contract has not been fulfilled. But, on the other hand, the Turkish Government has gone beyond the terms of the contract, in favour of the bondholders, by providing for the payment to the Syndicate and remission to London of the necessary funds in monthly instalments. Were the Turkish Government required strictly to observe the stipulation referred to, it might very probably cease to

provide for any remittances to England on account of the loan before the time specified in the contract. I presume that this is a change which, in the interest of the bondholders, the Committee would hardly desire.

I am, &c.
(Signed) HOBART.

No. 12.

Mr. Hammond to Mr. Meadows.

Foreign Office, September 30, 1862.

Sir,

WITH reference to the statements contained in your letter of the 1st of August, I am directed by Earl Russell to observe that it results from inquiries that he has made that the contract for the Turkish Loan of 1858, of which you state that the Committee knows nothing, but by which alone the Turkish Government is bound, provides "that the general revenues of the Ottoman Empire shall be bound for the payment of principal and interest of the Loan; but, as a special guarantee for the said payment, the Ottoman Government specially and preferentially charges the duties of Customs levied at Constantinople, and also the Government octroi levied in that capital, and which directly belongs to the said Government;" that "there shall be established at Constantinople a Treasury, which shall be exclusively confided to a Commission appointed by the Ottoman Government. The Commission to consist of five members, of whom two shall be named by the said Government, two by the Contractors, and a fifth, who shall be its President, shall be the Minister of Finance;" "and that the revenue necessary to meet the interest on the Loan, and the fund for repayment of the bonds thereinafter mentioned, shall be paid into the Treasury of this Commission."

Lord Russell has been informed that the before-mentioned provisions were carried into effect by an Imperial Firman immediately on the completion of the Loan; and that the Commission, or Syndicate, which was appointed accordingly, has duly performed the functions allotted to it, and has regularly remitted to this country the moneys paid into its Treasury by the Turkish Government, such payments being now made directly to the Syndicate by the Receivers of the Customs and octroi duties at Constantinople.

So far, therefore, as the proper assignment to Trustees of the hypothecated revenues is concerned, the Turkish Government appears to have fulfilled the conditions under which the Loan was contracted.

With regard to the complaint of the Bondholders that the sums necessary for the payment of the interest on the Loan are not lodged in the Bank of England one month before the payment of the dividend, I am to observe that the contract only requires "that the funds for the payment of the dividends and for the redemption of principal shall be placed by the Imperial Government in the Bank of England, so that the same may be available for that purpose, to be paid over to the Agents of the said loan, by order of His Imperial Majesty's Representative in London, at least fifteen days before the time fixed for the payment thereof, to the intent that they may be duly advertised." This provision, Lord Russell has been informed, is now regularly complied with by the Turkish Government.

Your letter also refers to the non-fulfilment of the agreement under which a sum of 75,000*l.* was always to be in the hands of the Syndicate. Lord Russell has been informed that this stipulation of the contract has not been fulfilled, but that, on the other hand, the Turkish Government had gone beyond the terms of the contract, in favour of the bondholders, by providing for the payment of the Syndicate and remission to London of the necessary funds in monthly instalments. If the Turkish Government was required strictly to observe the stipulation referred to, it might probably cease to provide for any remittance to this country on account of the loan before the time specified in the contract; and Lord Russell presumes that, in the interest of the bondholders, the Committee would hardly desire that change to take place.

I am, &c.
(Signed) E. HAMMOND.

No. 13.

Mr. Mackinnon and Mr. Meadows to Earl Russell.—(Received June 13.)

My Lord,

20, *Throgmorton Street, London, June* 11, 1863.

THE interview with which your Lordship honoured the Committee in June of last year, and the courtesy with which your Lordship promised to urge the claim of the Bondholders of the Loan of 1858 upon the Turkish Government, that they might fulfil their engagements to the said bondholders, led them to hope for redress through your Lordship's remonstrances, and if this Committee again trouble your Lordship, it is to lay before you a worse state of affairs than could ever have been expected from any established Monarchy.

The details of the bondholders' complaints were set forth in the Memorial to your Lordship of the 22nd April, and further particularized in the letter of 1st August, 1862; and very recently it has come to the knowledge of the bondholders' Committee that the Customs and octroi duties of Constantinople, though solemnly pledged to the Loan of 1858, have been used for any or all purposes, and within a short period it has been asserted by Turkish official authority that there is a prior claim to these very dues, which were stated, when the bondholders subscribed for the loan, to be assigned to trustees; and the correspondence with the Turkish Ambassador and Messrs. Dent, Palmer, and Co., (contractors of the 1858 Loan) which we have the honour to inclose, reveals a state of affairs truly lamentable—M. Musurus referring the Committee to Messrs. Dent, Palmer, and Co., and Dent, Palmer, & Co. refusing to correspond with the Committee.

Before the bondholders had any correspondence with your Lordship they had previously waited on the Turkish Ambassador, and not then being aware that the terms of the contract were unfulfilled, asked, through his Excellency, for monthly remittances, and by Decree, bearing date 1st May, 1861, it was ordered, that "henceforth the revenues shall be monthly directly remitted;" these remittances came for a few months, and until the Loan of 1862 was negotiated, but since have been altogether omitted, and 90,000*l.* of the dividend for September last appears, from the new Report of Lord Hobart, to have been paid out of the proceeds of that loan; and the last dividend, due 1st March, was not provided for one month beforehand, the journals of Constantinople asserting that the amount was made up by a loan from a local banker.

The dues pledged to this loan were stated to be 600,000*l.*, the interest and sinking fund requiring 350,000*l.*, and with the full reliance in the advertisements that the dues were then wholly assigned to trustees, and unencumbered, the subscribers paid the sum demanded by the Turkish Government, of 85*l.* per cent. But the Loan of 1862, issued under circumstances well known to your Lordship, the contract price was only 68*l.* per cent., though it had a much larger ordinary hypothecation, and a sinking fund of twice as much as the Loan of 1858, and the Loan of 1862 now bears the higher value, although our loan, presuming it to enjoy what it ought to possess—the special guarantee of having trustees to receive daily the Customs and octroi duties of Constantinople—would be considered of its original value; but solely from the want of performance of engagements by the Turkish Government, this loan is depreciated to the extent of more than 500,000*l.*, such loss being suffered by the bondholders, and the gain to the same amount accruing to the exchequer of the Government of His Majesty the Sultan, which retains in its hands the security belonging to the bondholders.

Your Lordship's letter of the 30th September last, which we have the honour to acknowledge, gives extracts from a contract which the bondholders never heard of, and among the correspondence inclosed is a letter from Messrs. Dent, Palmer, and Co., of the 23rd April, 1863, in which they state, "the only obligation of the Turkish Government in our possession which concerns the assignment of the security, is the Firman, a copy of which, with the general bond, is printed upon every bond."

That the legal status of the bondholders might be fully ascertained, the opinion of one of the most eminent of Her Majesty's Counsel at the Chancery Bar has been taken, a copy of which we have the honour to inclose, and which expressly states that, "The Turkish Government is bound by the terms of the prospectus as part of the contract," and further, "that there appears to be a breach of contract on the part of the Turkish Government which would, if the Courts of this country had any jurisdiction, entitle the bondholders to a receiver."

Having thus briefly laid before your Lordship the wrongs which the bondholders suffer, we hope and trust Her Majesty's Government will, through Her Majesty's Ambassador at Constantinople, urge upon the Turkish Government the necessity of at

once fulfilling those legal engagements, which, both in justice and honour, should have been carried out when the loan was issued.

We have, &c.
(Signed) W. MACKINNON, *Chairman.*
H. J. MEADOWS, *Hon. Sec.*

Inclosure 1 in No. 13.

Mr. Meadows to Musurus Bey.

20, *Throgmorton Street, London, April* 22, 1863.

Excellency,

I HAVE the honour to inclose your Excellency a copy of the Resolution passed by the Committee on the 8th instant, and I am requested to press upon your Excellency that the Bondholders have still to complain that the terms of the Prospectus of the Loan of 1858 are unfulfilled.

This Committee feel that the receipts of the Customs and octroi of Constantinople were publicly advertised as being assigned to trustees for the benefit of the Bondholders, as first mortgagees, and such trustees were to be receivers of such dues, and they were always to have in their hands a sum of 75,000*l.*, and that the money for the dividends was to be by them remitted to the Bank of England at least one month before they were due; and the whole of these very necessary pledges they believe are altogether disregarded, and set at nought, to the great prejudice of our loan, and as a necessary consequence to the advantage of the numerous loans since contracted.

This Committee have also very recently been informed, upon unquestionable authority, that the Hasné Turillius, or some other local debt has a first claim on the Customs duties of Constantinople, prior to the Bondholders of the Loan of 1858; this is so contrary to the terms of our loan that the Committee trust your Excellency will give some satisfactory explanations upon a matter of such serious importance.

"It is true that hitherto the dividends have been paid, but the anxiety of the Bondholders to have their promised security is very natural, so that their bonds may rank more highly than those stocks recently negotiated by the Turkish Government without any special mortgages whatsoever.

"This communication is made to your Excellency in the hope that immediate redress may be obtained from the Ottoman Government, by the aid of your Excellency's representations, which the Committee trust may be successful, as it will be very painful to the Bondholders to bring the defaults of the Turkish Government before the public against Messrs. Dent, Palmer, and Co., or to ask for the intervention of Her Majesty's Government to obtain for them those securities to which they are so justly entitled."

I have, &c.
(Signed) H. J. MEADOWS, *Hon. Sec.*

Inclosure 2 in No. 13.

Musurus Bey to Mr. Meadows.

Bryanstone Square, April 28, 1863.

THE Turkish Ambassador presents his compliments to Mr. Meadows, and begs to inform him that his letter of the 22nd instant has been sent to Messrs. Dent, Palmer, and Co., the Agents for the Imperial Loan of 1858, through whom all communications upon the subject of that loan must be sent to the Imperial Government.

Inclosure 3 in No. 13.

Mr. Meadows to Messrs. Dent, Palmer and Co.

London, April 22, 1863.

Gentlemen,

IT having been reported to this Committee, upon unquestionable authority, that the Hasné Turillios, or some internal debt, has a prior claim to the Customs and octroi duties of Constantinople before the bondholders of 1858, I am requested by the Committee to write to you for such explanations as you can give them upon a matter of such serious importance, and to ask you to allow them to see the original documents relating to this loan.

I have, &c.
(Signed) H. J. MEADOWS, *Hon. Sec.*

Inclosure 4 in No. 13.

Messrs. Dent, Palmer and Co. to Mr. Meadows.

London, April 23, 1863.

Dear Sir,

WE have your letter of yesterday's date, in reply to which we may state that we have no information which leads us to suppose that any claims exist upon the Customs and octroi duties of Constantinople prior to the claims of the holders of the bonds representing the Imperial Loan of 1858.

The only obligation of the Turkish Government in our possession which concerns the assignment of the security is the Firman, a copy of which, with the general bond of the Government, is printed upon every bond outstanding.

We are, &c.
(Signed) DENT, PALMER AND Co.

Inclosure 5 in No. 13.

Mr. Meadows to Messrs. Dent, Palmer and Co.

London, April 30, 1863.

Gentlemen,

I HAVE to acknowledge the receipt of your letter of the 23rd instant, and as Mr. Gilbertson, one of the Syndicate appointed by you to act as trustee for the bondholders, is now in London, I am requested by the Committee to ask whether he has received the Customs and octroi duties according to the terms of your printed prospectus, and if he and Mr. Hanson, his co-trustee, have always had a priority of receipts. The Committee would also be much obliged if you would allow them to peruse a copy of "the Firman issued with special reference to the Commission and its duties," the original of which, they suppose, is deposited in the Bank of England.

I have, &c.
(Signed) H. J. MEADOWS, *Hon. Sec.*

Inclosure 6 in No. 13.

Mr. Meadows to Messrs. Dent, Palmer and Co.

London, May 11, 1863.

Gentlemen,

IN a communication received from the Turkish Ambassador, his Excellency informs me he has handed my letter of the 22nd ultimo to your firm.

I am now requested by this Committee to ask you for a reply thereto.

I have, &c.
(Signed) H. J. MEADOWS, *Hon. Sec.*

Inclosure 7 in No. 13.

Messrs. Dent, Palmer and Co. to Mr. Meadows.

London, May 12, 1863.

Sir,

IN reply to your note of the 11th instant, we beg to state that we have seen the communication addressed by you, as Honorary Secretary of the Bondholders' Committee of the Turkish Loan of 1858, to the Turkish Ambassador on 22nd ultimo.

As previously stated, we must decline entering into any correspondence with the Committee, whom we cannot consider as in any way representing the body of Bondholders. We believe this to be also the feeling of M. Musurus.

To yourself, as an individual holder of bonds of the loan, it is scarcely perhaps necessary for us to repeat that the interests of the Bondholders always have had, and will continue to have, the best attention, both of ourselves and the Syndics in Constantinople; and every effort has been, and will continue to be used to induce the Turkish Government to fulfil the terms of their contract.

We are, &c.
(Signed) DENT, PALMER AND Co.

Inclosure 8 in No. 13.

Mr. Meadows to Musurus Bey.

London, May 15, 1863.

Excellency,

YOUR Excellency's note of the 28th ultimo, has been duly received, acknowledging the receipt of my letter of the 22nd ultimo, and stating that you had forwarded my communication to Messrs. Dent, Palmer, and Co.

I have the honour now to address your Excellency again, inclosing copy of letter received from Messrs. Dent, Palmer, and Co., dated 12th instant, and as it is impossible that upon so serious a question as the very vitality of their security any doubt can be allowed to exist, the Committee trust your Excellency will at once kindly favour them with an answer to their last letter.

I have, &c
(Signed) J. H. MEADOWS, *Hon. Sec.*

Inclosure 9 in No. 13.

Opinion of Mr. Rolt, Q.C.

I THINK the Turkish Government are bound by the terms of the prospectus, as part of the contract. There is nothing in the Firman of the 17th November, 1858, inconsistent with the agency of Dent, Palmer, and Co., and if this view be right, there appears to be a breach of contract on the part of the Turkish Government in not insuring, or doing what is in their power to ensure, that there shall always be in the hands of the Commissioners a sum equal to three months' interest on the loan, and in not providing cash in London for the payments one month before they are due.

If the Courts of this country had any jurisdiction in the matter, this default would, I think, entitle the Bondholders to a receiver, to ensure the performance of these obligations; but they have no such jurisdiction, and the only remedy is to induce, if possible, the British Government to use its influence with the Turkish Government for the purpose of securing a due performance of the contract.

May 25, 1863.

No. 14.

Mr. Hammond to Mr. Mackinnon.

Foreign Office, June 16, 1863.

Sir,

I AM directed by Earl Russell to acknowledge the receipt of your letter of the 11th instant, complaining of the continued failure of the Turkish Government to fulfil their engagements towards the Bondholders of the Turkish Loan of 1858; and I am to state to you, in reply, that Her Majesty's Ambassador at Constantinople will be instructed again to represent the case of the Bondholders to the Porte.

I am, &c.
(Signed) E. HAMMOND.

No. 15.

Earl Russell to Sir H. Bulwer.

(No. 277.)

Foreign Office, June 17, 1863.

Sir,

WITH reference to your despatch No. 401 of the 6th of July, and to Lord Hobart's of the 17th of September last, I transmit to your Excellency a copy of a further representation which I have received from the Committee of the Bondholders of the Loan of 1858, again complaining of the manner in which they are treated by the Turkish Government, and requesting Her Majesty's Government to support them in obtaining redress. I have to instruct your Excellency to bring the complaints of the bondholders under the consideration of the Porte, and to express a hope that it will make some arrangement which may afford them satisfaction.

I am, &c.
(Signed) RUSSELL.

No. 15*.

Earl Russell to Sir H. Bulwer.

(No. 340.)

Foreign Office, July 25, 1863.

Sir,

WITH reference to my telegram of this day, I transmit to your Excellency herewith a copy of a letter from the Board of Treasury,* relative to the omission of the Turkish Government to provide at the stipulated time, viz., the 25th of June last, the funds requisite for the payment of the dividends and sinking funds of the Turkish Guaranteed Loan of 1855, due on the 1st of August next.

I have no doubt that, in consequence of the remonstrances which your Excellency was instructed to make, the Porte will have taken immediate steps to prevent the great inconvenience which would result if the funds in question are not lodged with the Bank of England before the end of this month; but I must point out to your Excellency that a distinct assurance is given in Aali Pasha's note to you of the 21st January, 1862, that the Porte would in future punctually observe the terms of its Treaty engagements with regard to this loan; and you will express to the Porte the regret of Her Majesty's Government that this assurance should not have been observed.

Neglect of engagements of this nature cannot fail to have a very evil effect on the credit of the Porte.

I am, &c.
(Signed) RUSSELL.

No. 16.

Mr. Meadows to Earl Russell.—(Received August 7.)

20, Throgmorton Street, London, August 5, 1863.

My Lord,

I HAVE the honour to acknowledge your Lordship's letter of the 16th June last, and referring to the letter of the 11th June from the Committee of the Turkish Loan of 1858. I now beg leave to state to your Lordship that, upon inquiring of his Excellency the Turkish Ambassador, and also of Messrs. Dent, Palmer, and Co., the contractors for the Loan of 1858, no satisfactory information can be obtained regarding the money for the dividend due 1st September being now in the Bank of England; and, as this is so contrary to the legal engagements of the Porte, that this Committee hope your Lordship will kindly add this further breach of faith to the other remonstrances, so that the Turkish Government may be made aware that such disregard of their obligations not only entails loss upon the bondholders, but must inevitably destroy the credit of the Turkish Empire.

I have, &c.
(Signed) H. J. MEADOWS, *Hon. Sec.*

Inclosure in No. 16.

Prospectus.

[See Inclosure in No. 9.]

No. 17.

Earl Russell to Sir H. Bulwer.

Foreign Office, August 11, 1863.

(Telegraphic.)

IT is stated Porte has not provided funds for payment of dividends on Loan of 1858 due September 1st. Inquire, and urge Porte to fulfil its engagements.

No. 18.

Earl Russell to Sir H. Bulwer.

(No. 371.)

Foreign Office, August 11, 1863.

Sir,

WITH reference to my despatch No. 277 of the 17th of June, and to my telegram of this day, I transmit, for your Excellency's information, a copy of a further letter from the Committee of Bondholders of the Turkish Loan of 1858, respecting the funds to be provided by the Porte for the payment of the dividends on that loan, due on the 1st of September; and I have to instruct your Excellency to point out to Aali Pasha that it is very desirable, for the sake of the Porte's credit in the money market, that the Turkish Government should either strictly comply with engagements of this nature which they have contracted, or come to some satisfactory understanding with the bondholders on the subject.

I am, &c.
(In the absence of Earl Russell);
(Signed) A. H. LAYARD.

No. 19.

Mr. Hammond to Mr. Meadows.

Foreign Office, August 15, 1863.

Sir,

IN reply to your letter of the 5th instant, I am directed by Earl Russell to state to you, for the information of the Committee of Bondholders of the Turkish Loan of 1858, that Sir H. Bulwer has informed his Lordship, by telegraph, that the Porte has made arrangements with the Imperial Ottoman Bank for payment of the interest on the Loan of 1858, which will become due in September, and that further provision has been made for paying interest on this loan up to January.

I am, &c.
(Signed) E. HAMMOND.

No. 20.

Sir H. Bulwer to Earl Russell.—(Received August 16.)

(No. 364.)

Constantinople, August 1, 1863.

My Lord,

WITH reference to your Lordship's despatch No. 277 of the 17th ultimo and telegrams of the 25th and 29th instant, I have the honour to inclose copies of two official notes addressed to me by Aali Pasha, conveying the assurance that the Porte had adopted permanent measures for the punctual payment hereafter of the various European loans.

As regards the strictures the former of these notes contains on the complaints of the bondholders of the Loan of 1858, I observed to Aali Pasha that no one could find fault with individuals for having recourse to their own Government to obtain redress, when they conceived that their interests were lost sight of by another.

I have, &c.
(Signed) HENRY L. BULWER.

Inclosure 1 in No. 20.

Aali Pasha to Sir H. Bulwer.

Constantinople, le 29 *Juillet,* 1863.

M. l'Ambassadeur,

J'AI reçu la note que votre Excellence m'a fait l'honneur de m'écrire, en date du 30 Juin,* pour me communiquer la requête que le Comité de Souscripteurs de l'Emprunt de 1858 ont remise à son Excellence le Ministre des Affaires Etrangères de Sa Majesté la Reine.

Permettez-moi, votre Excellence, de faire d'abord mes réserves pour ce qui concerne l'irrégularité dont cette démarche est entachée. Votre Excellence comprendrait parfaitement que nous ne puissions pas admettre que quelques souscripteurs, n'ayant aucun caractère officiel, se constituent de leur propre chef en comité, pour porter des réclamations relativement aux engagements pris officiellement par la Sublime Porte. Si ce principe était admis, rien n'empêcherait qui que ce soit de se prévaloir de son titre de souscripteur d'un emprunt quelconque pour faire saisir de quelque réclamation, fondée ou non, le Gouvernement dont il relève en même temps que celui de la Sublime Porte.

Malgré cette irrégularité, et par égard à la demande de votre Excellence, je n'ai pas manqué de consacrer la plus sérieuse attention aux divers points de la requête, et l'examen auquel je me suis livré ne laisse aucun doute sur la fidélité avec laquelle sont exécutés tous les engagements pris par la Sublime Porte.

Il n'est pas vrai que les revenus de la douane et de l'octroi, affectés au Syndicat de l'Emprunt de 1858, aient été détournés de leur emploi. Le Gouvernement Impérial proteste, de toutes ses forces, contre une accusation de cette nature. Les revenus dont il s'agit ont été fidèlement et régulièrement versés au Syndicat de l'emprunt, à l'échéance des termes fixés pour leur application au services des intérêts et des amortissements.

D'un autre côté, il est évident qu'en modifiant le mode de paiement antérieurement adopté pour les dividendes semestriels, la Sublime Porte n'a péché en rien contre le contrat de concession. Si la Sublime Porte a trouvé plus économique, à son point de vue, le nouveau mode de paiement qu'il a cru devoir adopter, il est constant qu'elle n'était pas obligée, en vertu du contrat de concession, de suivre éternellement l'ancien système, et que les intérêts des souscripteurs n'ont absolument rien à voir dans ce changement. C'est par les mêmes raisons économiques que le dividende de Septembre a été payé sur les fonds de l'Emprunt de 1862, et je ne puis pas comprendre que les souscripteurs aient eu à s'en plaindre.

Toutes ces plaintes étant, comme votre Excellence le voit, parfaitement dénuées de tout fondement, la Sublime Porte ne saurait non plus accepter la responsabilité du peu de faveur dont jouit la côte à la bourse de l'emprunt de 1858 relativement à celle des autres emprunts.

Les souscripteurs auraient dû plûtôt s'en prendre à eux-mêmes, et cesser dans leurs propres intérêts tout ce qui dans leurs déclarations tend à déconsidérer la valeur des garanties de cet emprunt.

La sollicitude de la Sublime Porte pour l'exécution fidèle de ses engagements est égale pour tous les emprunts contractés par elle. Les instructions formelles dont elle vient de munir à cet effet les agents de la Banque Impériale Ottomane en sont une nouvelle preuve, et je suis convaincu que le Gouvernement de Sa Majesté Britannique n'hésitera pas à lui rendre à cet égard une entière justice.

C'est dans cette conviction que je vous prie, &c.

(Signé) AALI.

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* *Sir H. Bulwer to Aali Pasha.*

Constantinople, June 30, 1863.

Sir,

THE bondholders of the Loan of 1858 are again complaining of the manner in which they are treated by the Ottoman Government, and I have been instructed by Her Majesty's Government to support them in bringing their complaints under the consideration of the Sublime Porte, and express a hope that it will make forthwith some arrangement which may afford them just satisfaction.

I inclose for your Highness' information the copy of a letter addressed by their Chairman to Earl Russell, which sets forth the grievances of the bondholders.

I avail, &c.
(Signed) H. L. BULWER.

Inclosure 2 in No. 20.

Aali Pasha to Sir H. Bulwer.

Ministère des Affaires Etrangères, le 31 Juillet, 1863.

M. l'Ambassadeur,

J'AI reçu la note de votre Excellence du 27 Juillet.*

Les intérêts et l'amortissement de l'emprunt 1858 dûs le 25 Juin ont été en leur temps versés à la Banque Impériale Ottomane de même que ceux de l'emprunt 1863.

Des mesures ont été prises par le Trésor Impérial, de concert avec cette banque, pour qu'aucun retard ne se reproduise dans l'avenir dans les versements à faire pour servir les emprunts Ottomans à l'étranger.

Agréez, &c.
(Signé) AALI.

No. 20*.

Mr. Layard to Mr. Mackinnon.

Foreign Office, August 21, 1863.

Sir,

WITH reference to Mr. Hammond's letter of the 16th of June, I am directed by Earl Russell to inform you that Her Majesty's Ambassador at Constantinople has reported that he has brought before the Turkish Government the complaints of the Committee of bondholders of the Loan of 1858, and that he has been assured that measures have been taken by which an arrangement has been entered into between the Turkish Treasury and the Imperial Ottoman Bank for the punctual payment in future of the dividends on Turkish foreign loans.

I am to add that Sir H. Bulwer has been instructed to represent that the Porte should either strictly comply with its engagements or come to some satisfactory arrangement with the bondholders on the subject of the payment of the interest upon this loan;† and that the Committee would do well to receive in an amicable manner any just and equitable proposals as to the mode and time of payment which may be made by the Porte.

I am, &c.
(Signed) A. H. LAYARD.

No. 21.

Sir H. Bulwer to Earl Russell.—(*Received August* 26.)

(No. 363.)

Constantinople, August 13, 1863.

My Lord,

I HAVE received your Lordship's despatch No. 340 of the 25th ultimo relative to the Turkish Loan of 1855, and have already written to your Lordship on the general subject of the payment of dividends on Turkish Loans.

There are indeed five Loans; the first Loan in 1854, concluded with Goldsmidt and Palmer; the second in 1855, being the guaranteed Loan; the third in 1858, concluded by Fuad Pasha with Dent and Palmer; and the fourth, concluded with Devaux in 1862. The last is with the Imperial Ottoman Bank, mentioned in Aali Pasha's note of the 31st ultimo, inclosed in copy in my despatch No. 364 of the 1st instant, and is only mentioned in the above-cited note to show that the dividends of the Loan of 1858 have likewise been paid into the Imperial Ottoman Bank as well as those of 1863.

With regard to the Loan of 1855, Aali Pasha's answer was verbal. What would appear, is that the Turkish Government made some arrangement with the Imperial

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* *Sir H. Bulwer to Aali Pasha.*

Constantinople, July 27, 1863.

Sir,

I HAVE received from Earl Russell the following telegram dated the 25th instant:—

"Funds due on June 25th from Turkey to Bank of England have not yet been received; insist on instant transmission of payment of interests on Loan of 1858."

In recommending this matter strongly to your Highness, I beg, &c.

(Signed) H. L. BULWER.

† No. 18.

Ottoman Bank by which it considered these loans were duly provided for at the proper time. That some difference arose between it and the said Bank as to this arrangement, which caused the delay complained of; that this difference is now settled, and that through the medium of the Imperial Ottoman Bank, into which the dividends of the several loans up to the 1st of January next have been paid (according to later information received from the Porte), all irregularities will be prevented for the future.

I have, &c.
(Signed) HENRY L. BULWER.

No. 22.

Sir H. Bulwer to Earl Russell.—(*Received August* 29.)

(Télégraphie.)

Constantinople, August 13, 1863, 5·20 P.M.

PORTE positively declares that arrangements are made with Imperial Ottoman Bank for paying interest on all loans, that of 1858 included, up to January 1st. Will write by post.

No. 23.

Sir H. Bulwer to Earl Russell.—(*Received September* 5.)

(No. 396.)

Therapia, August 25, 1863.

My Lord,

I HAVE had the honour to receive your Lordship's despatch No. 371 of the 11th instant, respecting the funds to be provided by the Porte for payment of the dividends on the Turkish Loan of 1858, and beg to refer your Lordship to my despatch No. 383 of the 13th instant, conveying the explanation upon this subject given me by the Porte, which will, I trust, be deemed satisfactory by your Lordship and the Committee of Bondholders.

I have, &c.
(Signed) HENRY L. BULWER.

No. 24.

Mr. Meadows to Earl Russell.—(*Received February* 12.)

20, Throgmorton Street, February 8, 1864.

My Lord,

I HAVE the honour to acknowledge the receipt of your Lordship's communication of the 21st August last, stating "that Sir Henry Bulwer had telegraphed that arrangements had been made for the payment of the then accruing dividends on the Turkish Loan of 1858, and also that Sir Henry Bulwer had been instructed to represent to the Porte that the Turkish Government should either strictly comply with its engagements or come to some satisfactory arrangement with the Bondholders," for which letter this Committee beg leave to express their best thanks to your Lordship; and, although the dividends due on the 1st September were duly paid, all information as to that due on the 1st March next is entirely withheld. This Committee, having personally applied to his Excellency the Turkish Ambassador to know if the money, according to the contract, was now in the Bank of England, was by him referred to the Ottoman Bank, and Messrs. Dent, Palmer, and Co., the contractors of the Loan. From neither establishment could any satisfactory knowledge be obtained, and it is believed that the money for the dividends and sinking fund due 1st March next is not yet in this country.

At the interview with Messrs. Dent, Palmer, and Co., it was for the first time admitted that the solemn engagement of the Porte that the Commission or Trustees should always have three months' dividend in hand had never been in one single instance complied with, although Commissioners were appointed, and amongst them Englishmen of high standing at Constantinople.

It has also come to the knowledge of the Committee that the special securities of the Customs and octroi of Constantinople, pledged to be collected under the superintendence of the Commissioners for the payment of the dividends and sinking fund, have been alienated, and that the Imperial Ottoman Bank receives these very dues and applies them as may appear best.

In bringing these further breaches of faith before your Lordship, this Committee hopes and trusts that they may solicit your Lordship's moral influence with the Turkish Government, and that it will have such weight as to induce it to fulfil its solemn engagements.

The Bondholders have been most patient under their heavy losses of capital, and have avoided a public exhibition of the breaches of faith by the Turkish Government. They have also been legally advised that the contract is violated in all its points with regard to the securities; and, now that it is known that the Commission is at an end, and that Receivers interested in more recent Loans take the Customs, &c., duties belonging especially to this Loan, the Bondholders fear that such manifest injustice as they have already met with may be followed up with worse measures; and they, therefore, look to your Lordship and Her Majesty's Government for assistance to obtain redress for such grievances as are not now permitted in the European family of nations.

I have, &c.

(Signed) H. J. MEADOWS, *Hon. Sec.*

No. 25.

Mr. Hammond to Mr. Meadows.

Foreign Office, February 19, 1864.

Sir,

I AM directed by Earl Russell to acknowledge the receipt of your letter of the 8th instant, and, in reply, I am to request you will inform the Committee of Bondholders of the Turkish Loan of 1858 that his Lordship considers that there is no occasion, at the present moment, to instruct Her Majesty's Ambassador at Constantinople to make any representation to the Porte in regard to the matters referred to in your above-mentioned letter.

I am, &c.

(Signed) E. HAMMOND.

Correspondence respecting the Turkish Loan of 1862.

No. 26.

Memorandum.

MR. H. A. BRUCE, M.P., and Mr. G. Glyn, were received at the Foreign Office by Lord Russell in March, 1862, and were informed that if the Sultan's Commissioners or Agents in this country should succeed in obtaining a loan, Her Majesty's Government would be ready to send one or two gentlemen to assist the Sultan's Ministers in duly applying the proceeds of the loan to the extinction of the paper money and in funding the floating debt, and that the contractors of the loan might see in such a mission a further security against the misapplication of the loan.

Lord Hobart was selected to be sent to Constantinople for this purpose. The following extract from the Instructions with which he was furnished shows the language held by Lord Russell with regard to the loan, and states explicitly the object held in view in sending Lord Hobart:—

"You will understand that this loan differs altogether from the loan contracted in 1855. That was a loan guaranteed by Great Britain and France, then engaged in war as Allies of Turkey; the present is a loan with which Her Majesty's Government have nothing to do. On every question respecting it I have always referred the Turkish Government to the Sultan's own Ambassador in London.

"When, therefore, it was suggested to me that Her Majesty's Government should name persons to receive the interest of the loan in Constantinople, and transmit it to England, I replied that either this was a proposal to be taken literally, or it implied some interference in the loan. In the former case, any banker could perform the operation as well as Her Majesty's Government; in the latter sense, it was a proposition which Her Majesty's Government must decline. They did not intend to interfere in any way with regard to the loan about to be contracted. But, I went on to say, the purposes to which I understand the proceeds of the loan are to be applied, are purposes of the highest political importance. Her Majesty's Government, therefore, will be ready to contribute their part towards the extrication of Turkey from the difficulties which beset her, by sending a person in whom they have confidence to Constantinople to assist in the proposed application of the loan."

Aali Pasha subsequently conveyed to Her Majesty's Government the Sultan's personal thanks for the assistance thus rendered to the Porte.

No. 27.

Messrs. Hutchinson and Son and Messrs. Seymour and Co. to Earl Russell.—(Received August 31.)

London, August 28, 1865.

My Lord,

WE, the Undersigned, on our own behalf, and on behalf of other bondholders of the "Imperial Ottoman Loan of 1862," respectfully request the services of Her Majesty's Government, under whose auspices that loan was subscribed, in order that due effect be given to an essential provision of the Imperial Rescript, by virtue of which it was contracted for.

That Rescript, bearing date 19th February, 1862, provides for the appointment of a Syndicate charged directly to receive the revenues assigned as guarantees for the loan, and to make the payments as they become due; that is, in effect, to receive specific revenues, officially estimated to yield 1,885,200*l.* per annum, and to keep the same apart from other revenues until the lien or first charge therein of 640,000*l.* per annum shall have been satisfied, by payment of 6 per cent. per annum upon so much of the loan as shall remain unredeemed, and by application of the remainder, commencing with 2 per cent. per annum, so as to effect that redemption at par by half-yearly drawings, ending in 1886.

What the bondholders require is a sufficient attestation, periodically published, showing that the assigned revenues have been received, set apart, and applied in manner indicated.

The "Imperial Ottoman Bank" has absorbed the original "Ottoman Bank," which, in 1862, was in communication with your Lordship on the subject of this Anglo-Turkish Loan, and became thereupon joint agents for the emission of it. Consequently, that State bank is relied upon for giving effect to these requirements, so soon as your Lordship's representations to the Imperial Ottoman Government in that behalf shall have procured issue of the needful instructions.

We have, &c.
(Signed) J. HUTCHINSON AND SON,
SEYMOUR AND Co.,
Brokers for the issue of the Loan.

No. 28.

Earl Russell to Sir H. Bulwer.

(No. 147.) *Foreign Office, September 1, 1865.*

Sir,

I TRANSMIT to your Excellency herewith a copy of a communication which I have received from the brokers for the issue of the Imperial Ottoman Loan of 1862, requesting the assistance of Her Majesty's Government in order to induce the Porte to give due effect to an essential provision of the Imperial Rescript, as set forth in their letter, by virtue of which that loan was contracted for, and I have to instruct your Excellency to represent the matter strongly to the Turkish Government, and endeavour to induce them to comply at once with the wishes of the bondholders.

I am, &c.
(Signed) RUSSELL.

No. 29.

Mr. Hammond to Messrs. Hutchinson and Son and Messrs. Seymour and Co.

Foreign Office, September 6, 1865.

Gentlemen,

I AM directed by Earl Russell to acknowledge the receipt of your letter of the 28th ultimo respecting the course you wish taken in regard to the Imperial Ottoman Loan of 1862, and I am to acquaint you that Her Majesty's Ambassador at Constantinople has been instructed to represent the matter to the Porte.

I am, &c.
(Signed) E. HAMMOND.

No. 30.

Mr. Franklin to the Earl of Clarendon.—(Received May 11.)

London Institution, Finsbury Circus, May 10, 1866.

My Lord,

SUBSCRIBERS to the Imperial Ottoman Loan, issued in 1862 under the auspices of Her Majesty's Government, were informed on the 6th September last, by direction of Earl Russell, that Her Majesty's Ambassador at Constantinople had been instructed to represent to the Porte matter contained in certain requisitions submitted, on the 28th August last, through the brokers employed for emission of the loan.

On behalf of the same bondholders, I am respectfully to inquire what has been the result of that representation to the Porte?

I have, &c.
(Signed) J. A. FRANKLIN.

No. 31.

Mr. Franklin to the Earl of Clarendon.—(Received May 11.)

London Institution, Finsbury Circus, May 10, 1866.

My Lord,

REFERRING to another letter of this date on behalf of the subscribers to the Imperial Ottoman Loan of 1862, issued under the auspices of Her Majesty's Government, I am to state that a reassuring reply, to such extent as may be possible without delay, is an object of great urgency.

Should a Syndicate have been appointed, having charge of divers interests in Ottoman Loans, some of its members may represent claims which, in any contingency of insufficient revenues for all, ought not to be allowed to trench those specific and ample revenues that are preferentially assigned in security for the loan subscribed under the auspices of Her Majesty's Government.

Moreover, the Imperial Ottoman Bank, while it receives and disburses the public moneys, is also avowedly a financial company. In that latter and private capacity it has become party to a recent loan to the Porte upon the security of specific revenues, and these, as collector of them, it exercises a right to intercept in prior satisfaction of its own claims.

The bondholders of 1862 do not contest the right of the bank to collect and appropriate revenues not previously assigned to themselves. They are, however, mindful that the administration of Ottoman finance has heretofore had to seek friendly counsels from Her Majesty's Government, and they therefore rely upon the Government for such uses of its opportunities as may serve by anticipation to maintain good faith in a contract so promoted.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 32.

Mr. Hammond to Mr. Franklin.

Foreign Office, May 16, 1866.

Sir,

IN reply to your letters of the 10th instant, written on behalf of the subscribers to the Imperial Ottoman Loan of 1862, I am directed by the Earl of Clarendon to acquaint you that it appears from the reports which have been received from Lord Lyons of his various conversations with Fuad Pasha on the subject of Turkish finance, that his Highness has distinctly asserted it to be the intention of the Turkish Government scrupulously to fulfil their engagements with regard to foreign loans, and an essential part of His Highness's plan for that purpose was the formation of a Syndicate to receive the revenues set apart for the payment of the loans, and to see that they were exclusively applied to that object.

Lord Lyons gave it as his opinion that the establishment of a Syndicate for those loans not already possessing one, might very easily take place without disturbing the special Syndicates already existing.

The plan of Fund Pasha has not yet been definitively adopted; and, from the last accounts received from Lord Lyons, it appears that nothing has been finally decided upon; the efforts of Her Majesty's Government will, however, continue to be used in furtherance of this matter.

I am, &c.
(Signed) E. HAMMOND.

No. 33.

The Earl of Clarendon to Lord Lyons.

(No. 178.)
Foreign Office, May 16, 1866.

My Lord,

I TRANSMIT, for your Excellency's information, the accompanying copy of a letter which has been addressed to Mr. Franklin in reply to two letters received from that gentleman on behalf of the subscribers to the Imperial Ottoman Loan of 1862, of which copies are also inclosed; and I have to instruct your Excellency to communicate with the Porte on the subject of Mr. Franklin's communications, and report to me the result.

I am, &c.
(Signed) CLARENDON.

No. 34.

Mr. Franklin to the Earl of Clarendon.—(Received May 28.)

London Institution, Finsbury Circus, May 28, 1866.

My Lord,

ON behalf of subscribers to the Imperial Ottoman Loan of 1862, issued under the auspices of Her Majesty's Government, I am thankfully to acknowledge receipt of your Lordship's assurance, dated 16th instant, of what has been done in the subscriber's interest, and of the efforts which Government will continue to use for their further security.

They are thereby encouraged to expect an early intimation that Her Majesty's Ambassador at the Porte has succeeded in obtaining his requirements:—

"The formation of a Syndicate to receive the revenues set apart for the payment of this loan (as contradistinguished from others), and to see that they be exclusively applied to that purpose."

I have, &c.
(Signed) J. A. FRANKLIN.

No. 35.

Mr. Hammond to Mr. Franklin.

Foreign Office, June 4, 1866.

Sir,

I AM directed by the Earl of Clarendon to acknowledge the receipt of your letter of the 28th ultimo, in which you refer to the Ottoman Loan of 1862, as issued under the auspices of Her Majesty's Government; in reply I am to state to you that Her Majesty's Government cannot admit that they were in any way responsible for that loan, or that it was issued under their auspices, for when applied to on the subject previous to the contraction of the loan, they declined to interfere in any way in regard to it, but stated that if the Sultan's Agents in this country should succeed in obtaining one, they would be

ready to send out a person to Constantinople to assist in the proposed application of the same.

I am, &c.
(Signed) E. HAMMOND.

No. 36.

Mr. Franklin to the Earl of Clarendon.—(Received June 7.)

London Institution, Finsbury Circus, June 6, 1866.

My Lord,

I HASTEN to remove misapprehension of the claim made upon Her Majesty's Government as "in any way responsible" for the Imperial Ottoman Loan of 1862, in the sense of responsibility exemplified in the 4 per cent. Loan of 1855.

The claim, as it exists, was set forth in representations formally addressed (August 28, 1865) to your Lordship's predecessor, Earl Russell, by the "Brokers for issue of the Loan," and was referred, as required, to Constantinople.

The obvious fact of the loan having been "subscribed under the auspices of Her Majesty's Government" has been continuously referred to by the subscribers, including the letters to which your Lordship responded so satisfactorily on the 16th May; and the fact is not inconsistent with the information just received, that Her Majesty's Government, "when applied to on the subject previous to the contract of the loan, declined to interfere, &c."

An Assistant sent out by Her Majesty's Government to Constantinople in connection with the loan, has since then, in manner indicated in mine of the 10th May, illustrated the need for an independent and vigilant Syndicate, as securing the requirement of August 28 last:—

"A sufficient attestation, periodically published, showing that the assigned revenues have been received, set apart, and applied in manner indicated, &c."

Continuing to rely upon the services of Her Majesty's Government, I have, &c.
(Signed) J. A. FRANKLIN.

No. 37.

Lord Lyons to the Earl of Clarendon.—(Received June 8.)

(No. 197.)
Constantinople, May 29, 1866.

My Lord,

IN execution of the instruction conveyed to me by your Lordship's despatch No. 178 of the 16th instant, I spoke to Aali Pasha yesterday on the subject of the communications made to your Lordship on the 10th instant by Mr. J. A. Franklin on behalf of the bondholders of the Imperial Ottoman Loan of 1862.

Aali Pasha repeated to me in the strongest terms the assurance he had before so frequently given to me, that the charges on the foreign loans falling due in the month of July next would be punctually paid.

I observed to His Highness that the time for the payment of these charges was drawing very near, and that I should feel more at ease if the preparations for meeting them were plainly in a state of forwardness. I went on to say that, so far from this being the case, I had reason to fear that certain sums, which ought already to be on their way to Europe, were not yet provided: and I endeavoured, as I had often done before, to impress upon His Highness the vital importance to the credit of the Empire, of paying to the very day, and of punctually and literally fulfilling all the conditions on which the loans had been contracted.

I proceeded to speak of the proposed Syndicate, and I repeated to Aali Pasha the observation I had made to the Grand Vizier, that it appeared to me that there could be no difficulty in forming a Syndicate for the loans not at present entitled to one, without disturbing in any way the special Syndicates already existing. I also mentioned again the objections which I conceived to exist against making the Ottoman Bank the Syndicate, and which I had reason to believe the Directors of that Bank felt as strongly as I did. With a view to impressing what I had said on Aali Pasha, I placed in his hand a Memorandum containing the substance of the remarks made on these two points in Mr. Franklin's letter to your Lordship.

Aali Pasha said that he believed the arrangements for forming the new Syndicate were nearly complete; and that he thought they would be in accordance with the principle

for which I contended, and would not interfere with the special Syndicates already existing.

In the evening I had a conversation of the same tenor with the Grand Vizier. I repeated to His Highness the observations I had made in the morning to Aali Pasha, and received from him similar assurances.

I have the honour to inclose a copy of the Memorandum which I placed in Aali Pasha's hands.

I have, &c.
(Signed) LYONS.

Inclosure in No. 37.

Substance of a Communication made on behalf of the Bondholders of the Imperial Ottoman Loan of 1862, to Her Majesty's Secretary of State for Foreign Affairs, May 10, 1866.

SHOULD a Syndicate have been appointed, having charge of divers interests in Ottoman Loans, some of its members may represent claims which, in any contingency of insufficient revenues for all, ought not to be allowed to trench upon those specific and ample revenues that are preferentially assigned in security for the Imperial Ottoman Loan of 1862, subscribed under the auspices of Her Majesty's Government.

Moreover, the Imperial Ottoman Bank, while it receives and disburses the public moneys, is also avowedly a financial Company. In that latter and private capacity it has become party to a recent loan to the Porte upon the security of specific revenues, and these, as collector of them, it may claim a right to intercept in prior satisfaction of its own claims.

The bondholders of 1862 do not contest the right of the bank to collect and appropriate revenues not previously assigned to themselves. They are, however, mindful that the administration of Ottoman finance has heretofore had to seek friendly counsels from Her Majesty's Government, and they, therefore, rely upon the Government for such uses of its opportunities as may serve by anticipation to maintain good faith in a contract so promoted.

No. 38.

Mr. Hammond to Mr. Franklin.

Foreign Office, June 8, 1866.

Sir,

I AM directed by the Earl of Clarendon to acknowledge the receipt of your letter of the 6th instant, containing observations on the subject of the Imperial Ottoman Loan of 1862.

I am, &c.
(Signed) E. HAMMOND.

No. 39.

Mr. Hammond to Mr. Franklin.

Foreign Office, June 12, 1866.

Sir,

WITH reference to my letter of the 16th ultimo, I am directed by the Earl of Clarendon to state to you that, Her Majesty's Ambassador at Constantinople has spoken to Aali Pasha on the subject of the communication contained in your letter of the 10th of May last, on behalf of the bondholders of the Imperial Ottoman Loan of 1862, and that his Excellency has repeated to Lord Lyons, in the strongest terms, the assurance he had so frequently given him before, that the charges on the foreign loans falling due in the month of July next, would be punctually paid.

Aali Pasha also informed Lord Lyons that he believed the arrangements for forming the new Syndicate were nearly complete; and that he thought they would not interfere with the special Syndicates already existing.

I am, &c.
(Signed) E. HAMMOND.

No. 40.

The Earl of Clarendon to Lord Lyons.

(No. 211.)

Foreign Office, June 13, 1866.

My Lord,

I HAVE to acquaint your Excellency that Her Majesty's Government approve your proceedings and the language which you held to Aali Pasha and the Grand Vizier on the subject of the Turkish Loans, as reported in your despatch No. 197 of the 29th ultimo.

I am, &c.
(Signed) CLARENDON.

No. 40*.

Mr. Franklin to the Earl of Clarendon.—(Received June 16.)

London Institution, Finsbury Circus, June 15, 1866.

My Lord,

I BEG leave thankfully to acknowledge the satisfactory communication from Constantinople opportunely conveyed in Mr. Hammond's letter dated 12th instant, of which I permitted a copy to be taken at the instance of parties concerned.

I am requested to mention that the delay in forming the Syndicate affords the best opportunity for instituting precautionary regulations which could protect the bondholders' rights in contingencies now apparently remote, regulations fitted to insure the inviolability of hypothecated revenues, as against liens or other impediments to punctual distribution, not to say safe custody.

The bondholders gratefully recognize the sustained exertions of Her Majesty's Government in their interest, and hope, by thus indicating means whereby laches can be avoided, to spare embarrassment as affecting that Government responsibility in this matter which was set forth in the premonitory words recorded in Hansard, on the 31st March 1862:—

"We contributed to this loan owing to the encouragement which you gave us for the fulfilment of our expectations."

I have, &c.
(Signed) J. A. FRANKLIN.

No. 41.

Mr. Hammond to Mr. Franklin.

Foreign Office, June 18, 1866.

Sir,

I AM directed by the Earl of Clarendon to acknowledge the receipt of your letter of the 15th instant, respecting the Turkish Loan of 1862; and, with reference to the allusion to "Government responsibility" which it contains, I am to remind you that, in the House of Commons on the 31st of March, 1862, Lord Palmerston said, with reference to that loan, "Her Majesty's Government take upon themselves no responsibility whatever with regard to the payment of the interests of the loan;" and further, that Lord Hobart's functions extended simply to seeing "that the money raised is applied solely to the purpose for which it was raised."

I am to add that Her Majesty's Government continue to decline all responsibility with regard to the payment of the interest of the loan in question.

As publicity has been given to my previous letter of the 12th instant, Lord Clarendon desires me to say that he thinks my present letter should also be published.

I am, &c.
(Signed) E. HAMMOND.

No. 42.

Mr. Franklin to Lord Stanley.—(Received August 7.)

London Institution, Finsbury Circus, August 6, 1866.

My Lord,

REFERRING to correspondence with your Lordship's predecessors, Earls Russell and Clarendon, on behalf of the bondholders of the Anglo-Turkish Loan of 1862, I am

respectfully to inquire whether Her Majesty's Ambassador at Constantinople has succeeded in obtaining the constitution of an independent and efficient Syndicate, receiving and appropriating the revenues pledged for the discharge of that loan specifically?

The claims of the bondholders upon the protection of Her Majesty's Government, under whose auspices they subscribed to that loan, have been already set forth and recognized. Consequently, and in the case of the 4 per cent. debt guaranteed by England and France, even should the guarantors become unsatisfied creditors of the Porte, there could be no question of their interference with the revenues above referred to. In the case of certain home debts of Turkey (made quasi-foreign by conversion) a pretence has been set up in Constantinople of a claim to share the available resources of the Ottoman Exchequer indiscriminately, whereas the salt, tobacco, and stamp revenues have been from their origin assigned to the bondholders of 1862 preferentially. Your Lordship's recent statement in Parliament concerning Lord Lyons' interference on behalf of the converted home debts has seemed to favour the pretence just indicated; but it is hoped that your Lordship's reply to this may serve to confirm the condition precedent of the Anglo-Turkish Loan of 1862, and repeat the assurance of continued good offices given to the bondholders through myself by your predecessors.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 43.

Mr. Hammond to Mr. Franklin.

Sir, *Foreign Office, August 8, 1866.*

IN reply to the inquiry contained in your letter of the 6th instant as to whether Her Majesty's Ambassador at Constantinople has succeeded in obtaining the constitution of an independent and efficient Syndicate for receiving and appropriating the revenues pledged for the loans, I am directed by Lord Stanley to acquaint you that, by the last accounts received from Lord Lyons, difficulties appeared to exist in the establishment of the Syndicate referred to.

I am, &c.
(Signed) E. HAMMOND.

No. 44.

Mr. Franklin to Lord Stanley.—(Received August 10.)

My Lord, *London Institution, Finsbury Circus, August 9, 1866.*

HAVING reference to the unexpected difficulties which Her Majesty's Ambassador at Constantinople has found in obtaining fulfilment of an essential engagement undertaken in respect of this loan, I venture to hope for an assurance that Her Majesty's Government is doing what is necessary in the circumstances, as well those which accompanied the origin and recommendation of this loan, as those more recent circumstances which justify the conjoint action of England and France as unsatisfied creditors.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 45.

Lord Lyons to Lord Stanley.—(Received September 22.)

(No. 339.)
My Lord, *Constantinople, September 12, 1866.*

I HAVE the honour to inclose copies taken from the "Turqui" newspaper of a regulation on the subject of the payment of the charges on the loans which has been adopted by the Council of Ministers, and sanctioned by the Sultan. As this document appeared only last evening, I have not had time to examine it with sufficient attention to give an opinion as to the practical effect it is likely to have.

I have, &c.
(Signed) LYONS.

Inclosure in No. 45.

Extract from "La Turquie" of September 11, 1866.

Règlement adopté par le Conseil des Ministres, et sanctionné par Sa Majesté Impériale le Sultan, relativement à la fixation et à l'assignation des Revenus destinés à garantir le service des Emprunts Extérieurs et de la Dette Générale de l'Empire Ottoman.

Article 1. Le service des emprunts extérieurs est garanti par des revenus spéciaux, en vertu des Conventions passées entre le Gouvernement Impérial et les contractants de ces emprunts.

Art. 2. Le produit des revenus affectés aux annuités de la Dette Extérieure présentant un surplus considérable, cet excédant devra concourir, avec les fonds provenant des revenus généraux de l'Empire, à assurer le paiement des échéances de la Dette Générale.

Art. 3. Il sera dressé au $\frac{1}{13}$ Mars de chaque année, par les soins du Ministère des Finances, un Tableau en deux parties, dont l'une comprendra:

(1.) Le montant des intérêts et de l'amortissement de la Dette Extérieure, payable dans le courant de l'année.

(2.) Le montant prévu des recouvrements dans le cours de la même année, sur les revenus affectés au service des emprunts extérieurs.

(3.) Enfin la nature et le montant des revenus généraux désignés pour satisfaire intégralement, avec l'excédant des garanties des emprunts extérieurs, aux exigences de la Dette Générale.

Le second chapitre du Tableau indiquera les mesures prises par le Ministère des Finances pour faire coïncider les époques de recouvrement des revenus annuellement affectés au service des emprunts extérieurs et de la Dette Générale avec chacune des échéances de ce service, dans le but de faire cesser les difficultés et les irrégularités survenues jusqu'ici dans le paiement des annuités de la Dette Publique et dues surtout à ce défaut de coïncidence.

Ce Tableau, après avoir reçu la sanction de Sa Majesté Impériale le Sultan, sera remis officiellement par le Ministère des Finances à la Banque Impériale Ottomane, à laquelle seront données des délégations pour les sommes nécessaires au remboursement des annuités, et il sera publié par le Ministère des Finances et par la Banque Impériale dans le "Djéridei Havadis" et la "Turquie."

Art. 4. Le Ministère des Finances et la Banque publieront à la fin de chaque mois, par la voie des deux journaux sus-indiqués, le chiffre des encaissements opérés par la Banque sur les revenus affectés au service de la Dette Publique extérieure et intérieure.

Art. 5. La Banque Impériale Ottomane ne pourra prélever aucune somme sur les fonds provenant de ces revenus pour l'appliquer aux paiements nécessités, soit pour les opérations du Trésor avec cet établissement, soit pour tout autre objet; ces paiements seront assurés par le Ministère des Finances au moyen d'assignations spéciales.

Art. 6. A la fin de chaque année la Banque mettra à la disposition du Ministère des Finances l'excédant des revenus qui auront servi à remplir intégralement les engagements relatifs à la Dette Publique pour la même année.

Art. 7. Le présent Règlement sera exécutoire à partir du 1 Mars, 1867 (v. s.).

Dispositions Transitoires.

Art. 8. Le premier semestre de l'année financière 1282 étant écoulé, et le mode de comptabilité suivi jusqu'ici pour les opérations qui ont eu lieu entre le Trésor et la Banque depuis le commencement de l'année ne pouvant s'accorder avec les dispositions du présent Règlement, celui-ci ne pourra être pleinement applicable au second semestre de l'année courante. En conséquence il a été remis à la Banque un Tableau indiquant les sommes nécessaires pour le paiement du service des emprunts extérieurs et de la Dette Générale à partir du 1 Août, 1866, jusqu'à la fin de Février, 1867 (v. s.) ainsi que la nature et le montant des revenus affectés au paiement de ce service durant cette période. Les délégations nécessaires ont été également données à la dite Banque.

Le Ministère des Finances et la Banque Impériale Ottomane publieront ce Tableau dans les journaux mentionnés plus haut.

Art. 9. Le Ministère des Finances est chargé de l'exécution du présent Règlement.

Le 27 Rebi-ul-Akhir, 1283 (6 Septembre, 1866, N. S.).

TABLEAU dressé conformément à l'Article 8 du Réglement du 6 Septembre, 1866, indiquant les Sommes dues pour le Service des Emprunts Extérieurs et de la Dette Générale à partir du 1 Août, 1866, jusqu'au 1 Mars, 1867 (v. s.), et les Revenus affectés à ce Service pour la même période.

Echéances des Emprunts de la Dette Générale.			*Revenus assignés au Service des Emprunts Extérieurs et de la Dette Générale, pour être encaissés par la Banque Impériale Ottomane, du 1 Août, 1866, au 1 Mars, 1867 (v.s.).*		
	Bourses.			Bourses.	
Emprunt de 1854, échéance de Septembre 1866	29,149		Sur le produit des contributions indirectes (Dounes, tabac. sel, &c.) du 1 Août, 1866, au 1 Mars, 1867 (v.s.), à raison de 50,000 bourses par mois		350,000
,, 1860, ,, de Janvier 1867 ..	15,425				
,, 1862, ,, ,, ..	70,843				
,, 1863-64, ,, ,, ..	70,973		Sur la taxe des moutons		80,000
,, 1865, ,, ,, ..	40,589		Sur les contributions de la capitale et les droits sur les boissons		15,000
,, 1855, ,, de Février 1867 ..	19,973		Sur le tribut de Servie		2,300
,, 1858, ,, de Mars 1867 ..	47,084		Sur le produit de la fonte des monnaies métalliques		14,000
	294,036		Sur l'augmentation du tribut d'Egypte		30,000
Payé directement par le Gouvernement d'Egypte pour le service des Emprunts 1854 et 1855	36,849		En dépôt à la Banque Impériale Ottomane ..		10,000
	257,187			Bourses.	
Dette Générale, échéances Juillet 1866 et Janvier 1867	370,000		Sur les revenus généraux du Sandjak de Salonique	6,000	
	627,187		Id. de Drama	10,000	
			Id. d'Aïdin	25,000	
			Id. Vilaïa d'Andrinople	50,000	
			Id. Sandjak Kara-Hi-sar	10,000	
			Id. id. Sérouk-Han	25,000	
			Id. id. Tricala	4,000	
			Id. id. Menteché	10,000	
					140,000
					641,300

A la Direction de la Banque Impériale Ottomane.

Messieurs,

J'ai l'honneur de vous transmettre, ci-joint, copie du Règlement sanctionné par Sa Majesté Impériale le Sultan et relatif à la fixation et à l'assignation à la Banque Impériale Ottomane des revenus affectés par le Gouvernement Impérial en garantie du service des annuités des Emprunts Extérieurs et de la Dette Générale.

Ainsi que vous le remarquerez par l'Article 7, ce Règlement ne sera pleinement applicable qu'à partir du 1 Mars, 1283, commencement de l'année financière, c'est-à-dire, du 13 Mars, 1867 (s. s.)

Toutefois, je vous remets également ci-inclus, conformément à l'Article 8, un Tableau portant mon sceau et indiquant les sommes dues, pour le service de la totalité de la Dette Publique, à partir du 1 Août de l'année courante, jusqu'au 1 Mars, 1867 (v. s.), ainsi que le montant et la nature des revenus affectés à ce service.

Comme l'indique ce tableau, le montant des diverses échéances des Emprunts Extérieurs jusqu'au $\frac{1}{13}$ Mars prochain, et de celles de Juillet et de Janvier de la Dette Générale, s'élève à 627,187 bourses; et 641,300 bourses de revenus de l'année courante ont été désignées pour faire face à ces échéances et mises à cet effet à la disposition de la Banque Impériale Ottomane.

Sur les sommes portées au même tableau à titre de garantie, 350,000 bourses, prises sur le produit des contributions indirectes; 80,000 bourses du produit de la taxe sur les moutons; 15,000 bourses des contributions de la capitale; 14,000 bourses du produit de la fonte des monnaies métalliques; 30,000 bourses du Tribut d'Egypte, et 2,300 bourses de celui de Serbie seront, comme par le passé, directement versées à la banque; quant aux 140,000 bourses, qui sont prises sur les revenus généraux des Sandjaks, elles seront remises aux succursales de la Banque par les Caisses provinciales des localités où se trouveront ces succursales, et les sommes recouvrées dans les localités où la Banque ne possède pas de succursale seront transmises à Constantinople et seront aussi directement versées à la Banque. Toutes ces sommes pourront être encaissées jusqu'au mois de Mars prochain.

Les annuités de la Dette payables pour compte de l'exercice courant ne vont pas au delà du 1 Janvier prochain; cependant comme il n'est pas possible d'employer en temps utile à leur destination les revenus dont le recouvrement n'aura lieu qu'à l'entrée du nouvel exercice, et de fixer dès à présent les revenus destinés à garantir le service de la Dette de

façon à faire correspondre les époques de leurs recouvrements à celles des échéances, l'encaissement de la totalité des revenus qui forment cette garantie devra nécessairement se prolonger jusqu'au mois de Mars prochain.

Et c'est dans le but de satisfaire ponctuellement au service de ces échéances que le Gouvernement a entrepris de contracter un emprunt qui n'aura que le caractère d'un prêt temporaire remboursable par les revenus spécifiés dans le tableau.

Les revenus qui seront assignés au service de la Dette Publique pour les années à venir seront régulièrement fixés par le Ministère des Finances, et le tableau en sera transmis dans quelques jours à la Banque.

Ce document montrera que les dispositions prises par le Gouvernement Impérial, en ce qui concerne le service des Emprunts Extérieurs et de la Dette Générale, sont de nature à inspirer la confiance au public.

Agréez, &c.

(L.S.) Le Ministre des Finances.

No. 46.

Mr. Franklin to Lord Stanley.—(Received November 6.)

My Lord, *London Institution, Finsbury Circus, November 6, 1866.*

IT is rumoured that the Turkish Government has submitted to requirements made for the security of the public creditors of the Porte generally, and the Imperial Ottoman Bank has just announced that it has obtained authority at once to prepay to itself and others the interest due 1st January next upon its own 6 per cent. loan of 1865.

Referring to my previous representations on behalf of Anglo-Turkish bondholders of 1862, I beg leave respectfully to invite a communication of what has been effected by Her Majesty's Government for the protection of those bondholders specifically, whether in modes suggested heretofore or otherwise.

I have, &c.

(Signed) J. A. FRANKLIN.

No. 47.

Mr. Hammond to Mr. Franklin.

Sir, *Foreign Office, November 7, 1866.*

I AM directed by Lord Stanley to acknowledge the receipt of your letter of the 6th instant, and, in reply, I am to transmit, for your perusal, the accompanying extract from "La Turquie" newspaper, containing a regulation recently adopted by the Council of Ministers, and sanctioned by the Sultan, for making provision to defray the charges on account of the Ottoman loans;* and I am to request that you will return to me the inclosed papers, which contain the only information his Lordship has to give you on the subject.

I am, &c.

(Signed) E. HAMMOND.

No. 48.

Mr. Franklin to Lord Stanley.—(Received November 9.)

My Lord, *London Institution, Finsbury Circus, November 8, 1866.*

WITH thankful acknowledgments for the prompt courtesy of sending for my perusal the extract from "La Turquie" newspaper, I hasten to return it as requested, without detaining it to be copied and translated, as seems desirable.

I will submit somewhat later observations suggested by the regulation embodied in the paper herewith returned.

I have, &c.

(Signed) J. A. FRANKLIN.

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* No. 46.

No. 49.

Mr. Franklin to Lord Stanley.—(Received November 13.)

My Lord, *London Institution, Finsbury Circus, November 12, 1866.*

I BEG leave respectfully to submit that the publication by the Turkish Government of the document just communicated, affords a favourable opportunity for reasonable requirements to be now made through Her Majesty's Minister at the Porte, having for their object the necessary protection of the Anglo-Turkish bondholders of 1862—requirements most likely to be conceded while the Ottoman Government itself believes, and wishes others to believe, in its ability henceforward to spare so considerable a share of the Ottoman revenues as would satisfy all its bonded creditors indiscriminately.

On indirect revenues—now producing 50,000 purses per month—a sum of 7,847½ purses represents a mortgage upon Customs dues in favour of the bondholders of 1858; and a sum of 11,807½ purses represents the mortgage upon tobacco, salt, stamp, and other imposts, in favour of the bondholders of 1862 (i.e., about one-third of the estimated product of those imposts). But there is this important difference in the nature of those two mortgages—whereas Customs dues had existence before they were exappropriated to the mortgagees in 1858, the revenues assigned to the bondholders of 1862 had not any previous existence, but were specially created (at the instance of British officials) in order to become a provision, upon the security of which the loan of 1862 might be subscribed under the auspices of Her Majesty's Government.

It is reasonable, therefore, that the British Minister should require a nomination, successively, of competent and independent persons to share the custody and supervise the appropriation of those assigned revenues, from their collection (as in an analogous case), checked by a periodical publication of the accounts.

It has become only too manifest that, unless that be done, the special interests of the 1862 bondholders may be abandoned for the want of ready, willing, and disinterested supervision.

Waiting your Lordship's concurrence, I have, &c.

(Signed) J. A. FRANKLIN.

No. 50.

Mr. Hammond to Mr. Franklin.

Sir, *Foreign Office, November 15, 1866.*

I AM directed by Lord Stanley to acquaint you, in reply to your letter of the 12th instant, that his Lordship does not think it expedient to give, at the present time, any further instructions to Her Majesty's Ambassador at Constantinople on the subject of the appointment of a Syndicate in reference to the affairs of the Anglo-Turkish Loan of 1862.

I am, &c.

(Signed) E. HAMMOND.

No. 51.

Lord Lyons to Lord Stanley.—(Received March 2.)

(No. 69.)

My Lord, *Constantinople, February 20, 1867.*

ON the 14th instant I called upon Aali Pasha to congratulate him upon his promotion to the office of Grand Vizer.

His Highness gave me the most formal and positive assurance that the arrangement for the assignment of certain revenues to the service of the public debt, which was made by the Iradé of September, would be religiously maintained by the Porte. He said that he held this arrangement to be, like the person of a Sovereign, sacred and inviolable.

I went from his Highness' office at the Porte to that of Fuad Pasha, the new Minister for Foreign Affairs. He gave me assurances, in equally positive and distinct terms, that the arrangement would be scrupulously adhered to.

I have, &c.

(Signed) LYONS.

No. 52.

Lord Lyons to Lord Stanley.—(Received May 24.)

(No. 186.)

My Lord, *Constantinople, May 15, 1867.*

I HAVE the honour to transmit to your Lordship copies, taken from the "Turquie" newspaper, of a Return of the sums provided by the Ottoman Government for the service of the foreign loans.

I inclose also a copy of a letter on the subject just received from Mr. Gilbertson, Director of the Imperial Ottoman Bank.

The Bank and the Finance Minister have had some difficulty in coming to an understanding as to the mode in which the funds for the payment of the July dividends are to be transmitted to Europe. I sincerely hope that this difficulty will not cause any unpunctuality in the arrival of those funds in London and Paris.

I have, &c.

(Signed) LYONS.

Inclosure 1 in No. 52.

Extract from "La Turquie" of May 15, 1867.

BANQUE IMPÉRIALE OTTOMANE.

TABLEAU des Encaissements effectués par la Banque Impériale Ottomane du 1/13 Mars, 1867, au 12 courant (v.s.), sur les affectations du service des Emprunts Extérieurs et de la Dette Générale pour le 1er semestre de l'exercice 1283 (1867-68) publié en exécution de l'Article 4 de l'Iradé du 27 Rebi-ul-akhir, 1282.

	Recouvrements.		
	Antérieur.	Mois Courant.	Total.
Contributions indirectes	20,351,155 17	18,902,011 08	39,453,166 25
Taxe sur les moutons de Roumélie et Archipel	..	9,553,377 00	9,553,377 00
Rassoumats (contributions diverses)	382,677 00	..	382,677 00
	20,933,832 17	28,455,388 08	49,389,220 25
Effets à recevoir échéant avant le 1 Juillet (s.s.)—			
Au 12 Mai au soir 26,018,669			
Entrées des 13 et 14 Mai 12,746,600			
	..	..	40,765,269 00
Total	20,933,832 17	28,455,388 08	90,154,489 25

N.B.—Les versements faits aux succursales et agences sont compris dans la somme ci-dessus jusqu'aux dates suivantes seulement: Cara-Hissar, 25 Avril; Beyrouth, 1 Mai; Larnaca, 27 Avril; Aidin, 1 Mai; Magnésie, 9 Mai; Salonique, 6 Mai; Smyrne, 11 Mai.

Le Directeur-Général,
(Signé) Mth. DE PLŒUC.
Le Directeur-Général adjoint,
E. GILBERTSON.

Constantinople, le 12 Mai, 1867.

Inclosure 2 in No. 52.

Mr. Gilbertson to Lord Lyons.

Galata, May 15, 1867.

My Lord,

IN "La Turquie" of to-day your Excellency will find the Tableau of the sums encashed up to last evening for the service of the public debt.

Your Lordship will, doubtless, be glad to know that, including the amount paid in to-day, these sums represent about the total required for the coupons of the foreign loans falling due in July.

I have, &c.
(Signed) E. GILBERTSON.

No. 53.

Lord Lyons to Lord Stanley.—(Received May 24.)

(No. 190.)

Constantinople, May 17, 1867.

My Lord,

WITH my despatch No. 186 of the day before yesterday, I had the honour to transmit to your Lordship a Return of the sums provided by the Ottoman Government for the service of the foreign loans, and a copy of a letter from Mr. Gilbertson, Director of the Imperial Ottoman Bank, stating that these sums represented about the total required for dividends falling due in July next on those loans.

I mentioned, moreover, that a misunderstanding existed between the Finance Minister and the Bank with regard to the mode in which the funds for the payment of these dividends should be transmitted to London and Paris. I fear that an agreement on this point has not yet been come to, but I am assured, both by the Grand Vizier and the Minister for Foreign Affairs, that effectual measures will certainly be taken to ensure the punctual payment of the dividends.

In addition to the sums which are required for the foreign loans, and which have, it appears from the Return and from Mr. Gilbertson's letter, been already paid into the Ottoman Bank, provision has to be made for the coupons of the "general debt" falling due the 13th July next. Although this debt does not figure among the foreign loans, a large portion of the interest is payable in London, Paris, Amsterdam, and Frankfort. The Grand Vizier and the Minister for Foreign Affairs express confidence that the necessary sums will be provided in time.

I have, &c.
(Signed) LYONS.

No. 54.

Lord Lyons to Lord Stanley.—(Received June 1.)

(No. 208.)

Constantinople, May 22, 1867.

My Lord,

FUAD PASHA assured me the day before yesterday that it was quite certain that the dividends for the half year ending in July next, not only on the foreign loans, but on the general debt, would certainly be paid to the very day. He said, more than once, that he not only told me this, but begged me to take official note of it ("d'en prendre acte officiellement").

I learn, moreover, from other quarters that the misunderstanding between the Ottoman Bank and the Government has been removed, and that, in all probability, the funds necessary for the punctual payment of all the dividends will be ready in due time.

I have, &c.
(Signed) LYONS.

No. 55.

Mr. Franklin to Lord Stanley.—(Received May 15.)

My Lord,

London Institution, Finsbury Circus, July 10, 1867.

AS supplementing former representations on the subject of the Anglo-Turkish Loan of 1862, I have undertaken to ask attention to the correspondence with the Imperial Ottoman Bank, of which a copy is inclosed herewith.

The very unsatisfactory result of this correspondence indicates occasion for appeal, as heretofore, to Her Majesty's Government for fulfilment of expectations held out officially and in Parliament when the loan was commenced for subscription.

It is assumed that the presence in London of the Sultan's Minister may conveniently offer opportunity for representations on behalf of the bondholders, who, in reliance upon Her Majesty's Government, abstain from other action.

I have, &c.
(Signed) J. A. FRANKLIN.

Inclosure 1 in No. 55.

Messrs. Field, Wood, and Haynes to Mr. Lander.

9, *Warnford Court, May* 8, 1867.

Sir,

HAVING reference to information recently given by the Imperial Ottoman Bank of funds placed to the credit of Turkish bondholders, on behalf of several clients interested we are desirous to ask the periods at which the like information will continue to be afforded.

Also, whether the Imperial Ottoman Bank is willing that the funds credited to the bondholders of the 6 per cent. Loan of 1865 and of the 6 per cent. Loan of 1862 shall be reported distinctively.

We are, &c.
(Signed) FIELD, WOOD, AND HAYNES.

Inclosure 2 in No. 55.

Mr. Lander to Messrs. Field, Wood, and Haynes.

The Imperial Ottoman Bank, 4, Bank Buildings, Lothbury, May 9, 1867.

Gentlemen,

I BEG to acknowledge the receipt of your letter of yesterday's date.

In giving the information to which it refers, our Bank at Constantinople simply acted on the instructions of the Turkish Government, in accordance with the Report of the Minister of Finance which accompanied the publication of the Law of September last. From reading this Report I should presume that it contemplated such information being given every month; but I cannot anticipate the instructions which the Government may give to the Bank.

I have, &c.
(Signed) WILLIAM LANDER, *Secretary.*

Inclosure 3 in No. 55.

Messrs. Field, Wood, and Haynes to Mr. Lander.

9, *Warnford Court, May* 14, 1867.

Sir,

WE beg to acknowledge receipt of your favour of 9th instant, which we have submitted to our friends. We learn therefrom that you wait the instructions of the Ottoman Government for publication of the general returns which that Government contemplates giving periodically.

Meanwhile, however, and so far as concerns the Anglo-Turkish Loan of 1862 distinctively, our clients interested therein assume that repeated instructions need not be waited for, inasmuch as your Bank at Constantinople has to keep a separate account for that loan,

and stands, moreover, in special relations to the bondholders arising out of the part taken by the Bank in inducing subscriptions thereto. It is not doubted that you will make representations to this effect at Constantinople, and in the event of any further interposition by Her Majesty's Ambassador at the Porte being required, our clients are encouraged to rely upon it.

Your early reply for their government in that regard is solicited.

We remain, &c.

(Signed) FIELD, WOOD, AND HAYNES.

Inclosure 4 in No. 55.

Mr. Lander to Messrs. Field, Wood, and Haynes.

The Imperial Ottoman Bank, 4, Bank Buildings, Lothbury, May 15, 1867.

Gentlemen,

I AM forwarding to our Bank at Constantinople a copy of your letter of yesterday's date, and shall have the pleasure of communicating to you the reply which I receive.

I am, &c.

(Signed) WILLIAM LANDER, *Secretary.*

Inclosure 5 in No. 55.

Mr. Lander to Messrs. Field, Wood, and Haynes.

The Imperial Ottoman Bank, 4, Bank Buildings, June 3, 1867.

Gentlemen,

I BEG to refer to your favours of the 8th and 14th ultimo, and to my replies. From advices which we have since received from Constantinople, I am able to confirm my statement that the monthly publication of the sums encashed for the service of the Public Debt is made by the Bank in virtue of an Imperial Iradé communicated to it, and the Bank will not suspend the publication without an order of equal force. There is no engagement whatever to open a separate account for the 1862 Loan; but the Bank, although it cannot consent to accept any obligation towards the bondholders of this loan, watches with interest the payments of the revenue specially assigned to it; and if, at any time, it, in the interest of the holders of the loan, thinks any action necessary, it voluntarily takes such action as in its judgment will be most conducive to the end in view. Our directors at Constantinople most certainly think that holders of Turkish Foreign Loans cannot complain of the apathy of the Bank as regards their interests, inasmuch as they have never suffered from a day's delay in the payment of the coupons of any of these loans.

The experience of our Bank makes our Directors strongly deprecate any independent action of bondholders, and, were diplomatic interference necessary, the Bank would certainly invoke it, and probably with more effect than any one not on the spot, and not in constant communication with the Government.

I remain, &c.

(Signed) WILLIAM LANDER, *Secretary.*

Inclosure 6 in No. 55.

Messrs. Field, Wood, and Haynes to Mr. Lander.

9, *Warnford Court, June 7, 1867.*

Sir,

WE have had the pleasure to communicate to our clients concerned in the Anglo-Turkish Loan of 1862 your letter dated 3rd instant, containing the assurance that your Bank watches with interest the payment of the revenue assigned to that loan. Their own interest in those payments being necessarily more immediate, they take for granted that the Bank can have no desire to withhold from those who subscribe at its instance information accessible to its own employés. It is noted that receipts on account of the sheep tax (the which retained by the Bank is admitted) are reported distinctively. Our clients naturally object to seem confounded with other denominations of Turkish bondholders in respect of all, save that particular tax. Moreover, it has been declared that the

revenues devised for and assigned to the Loan of 1862, produced two or three times as much as is required for its repayment under the contract.

Our clients are reasonably desirous to have that declaration confirmed, and more especially so at this juncture, before pressure shall have been brought to bear upon the Porte of a nature to alienate resources which were borrowed upon in 1862, by the agency of your Bank under the auspices of Her Majesty's Government. The claim of our clients to be protected and informed cannot embarrass the Bank in respect to other loans in which it has no such concern. Believing that the bank will accept the view taken by our clients there can be no need to invoke diplomatic or Parliamentary interference whether as to custody of the assigned revenues or other issues as shadowed forth in the Parliamentary Debates in 1862, and in correspondence with foreign affairs.

Your early response will oblige.

(Signed) FIELD, WOOD, AND HAYNES

Inclosure 7 in No. 55.

Mr. Lander to Messrs. Field, Wood, and Haynes.

Imperial Ottoman Bank, 4, Bank Buildings, June 12, 1867.

Gentlemen,

I BEG to acknowledge the receipt on the 10th instant, of your letter of the 7th instant, and to inform you that I have communicated it to the bank at Constantinople.

I am, &c.

(Signed) WILLIAM LANDER, *Secretary.*

Inclosure 8 in No. 55.

Mr. Lander to Messrs. Field, Wood, and Haynes.

The Imperial Ottoman Bank, London Agency, Bank Buildings, July 2, 1867.

Gentlemen,

I HAVE this morning received from our Bank at Constantinople their reply to your favour of the 7th ultimo, so far as they have been able to understand it, it being, they say, somewhat unintelligible to them. For the most complete authentic information as to the values of the revenues devised and assigned to the Loan of 1862, by which it is presumed the tobacco and salt duties are especially intended, we cannot do better than refer you to the published Report addressed by Her Majesty's Secretary of Legation at Constantinople to the English Ambassador there, and presented to the Houses of Parliament in April last.

That the employés of a Bank should have access to information relative to its business is not unusual, but can hardly be taken as a reason for a Bank making such knowledge public. The official statement published every month does not profess to be an *exposé* of the accounts of each loan separately, but only a statement of the amounts encashed for the service of the loans generally falling due in that half-year. It is, as I have already informed you, published by order of the Government. The form is probably in some measure determined by the Budgetary divisions of the Treasury accounts, but, however that may be, the Bank does not see how it can remove any objections the holders of any particular loan may have to being confounded with other denominations of Turkish bondholders.

With reference to your remarks as to the especial interest which this Bank has in the 1862 Loan, and to its obligations towards the subscribers of that loan, I must again repeat that the Bank refuses to accept the position which you would assign to it. It has no interest other than that of the general advantages of the bondholders of all the foreign loans.

In reply to your remarks as to invoking diplomatic or Parliamentary interference, I beg to refer you to my letter to you of the 3rd ultimo.

I am, &c.

(Signed) WILLIAM LANDER, *Secretary.*

Inclosure 9 in No. 55.

Messrs. Field, Wood, and Haynes to Mr. Lander.

9, *Warnford Court, July* 5, 1867.

Sir,

WE are requested to acknowledge receipt of yours dated 2nd instant.

In the Official Report on Turkish finance, to which you refer us for "the most complete and authentic information," the revenues derived from tobacco, stamps, and salt, are stated as follows:—

	1278 (1862-3).	1279 (1863-4).	1280 (1864-5).
	£	£	£
Tobacco	832,560	540,000	1,057,500
Stamps	202,469	135,000	135,000
Salt Works	670,910	562,500	999,000
	1,705,879	1,237,500	2,182,500

Now, as the first charge on these revenues assigned to the Anglo-Turkish Loan of 1862 requires no more than 639,960*l.* per annum, there remains a large and growing surplus subject to a second charge of later assignment in favour of a later loan, declared to have been negotiated with the Imperial Ottoman Bank. The Bank, as custodies of these revenues, might at some juncture hold enough for the first charge but not enough for the second; or the Bank might be a creditor of the Government on general balance to an amount corresponding with deposited revenues accruing in its charge for the Anglo-Turkish Bondholders of 1862 under the assignment. In contingencies such as these much might depend upon the mode of account pursued by the Bank; and inasmuch as a refusal to keep or render distinctive accounts could place the bondholders at an unfair disadvantage, the Directors, as judges in their own cause, are respectfully invited to review their judgment. The materials for distinctive accounts are confessedly accessible to employés of the Bank, and the information is not sought as for mere market purposes, but for such legitimate precautionary objects as are herein frankly avowed. Except for the circumstance that your Chairman and other honourable gentlemen, originally concerned for Her Majesty's Government, or for subscribers to the Loan, have since then become identified with the Bank in its commercial character, those subscribers would have known where to appeal for sympathy and service in fulfilment of expectations variously encouraged and recorded. Some of the observations in ours of 7th ultimo seem to have been misunderstood. There is no desire to invoke diplomatic, Parliamentary, or other interference if the Bank admit its functions as trustee or bailee of funds assigned preferentially to the Anglo-Turkish Bondholders of 1862, the Bank and others indicated having been immediate parties to that assignment *ab origine*.

Our clients have reason to believe that the circumstances under which that especial loan was devised, obtained, and applied for the advantage of Turkish finance, and in furtherance of British policy, would not be recognized as valid claims to protection upon appeal, against laches, whether committed by the Bank or by British officials of a nature to prejudice the bondholders' interests prospectively and to give them a title to recover.

We remain, &c.

(Signed) FIELD, WOOD, AND HAYNES.

Inclosure 10 in No. 55.

Mr. Lander to Messrs. Field, Wood, and Haynes.

The Imperial Ottoman Bank, London Agency, Bank Buildings, July 6, 1867.

Gentlemen,

I BEG to acknowledge the receipt of your favour of yesterday's date.

You assume that this Bank is the custodios of the revenues assigned to the Imperial Ottoman Loan of 1862. Such is not the case, and the suggestions which you made on this assumption are, therefore, incorrectly based. A reference to the bond of the Loan will show you that these revenues are not assigned to the Bank. We simply receive them for transmission to the Bank of England, when so instructed by the Turkish Government, in accordance with the provisions of the bond. I cannot admit that the function of this Bank is that of trustee or bailee of funds assigned to the 1862 Loan.

In my letter to you of the 3rd ultimo I have already stated the policy of this Bank in regard to the interests of the bondholders of this loan, and this policy it will continue to follow. I have no doubt that we shall be quite prepared to meet any charge of "laches" committed by the Bank whenever it may be considered conducive to those interests to prefer such charges.

As my correspondence with you has now put you in full possession of the views of the Bank with reference to this Loan, I must decline to extend it further.

I am, &c.

(Signed) WILLIAM LANDER, *Secretary.*

No. 56.

Mr. Hammond to Mr. Franklin.

Foreign Office, July 18, 1867.

Sir,

I AM directed by Lord Stanley to acknowledge the receipt of your letter of the 10th instant, on the subject of the Turkish Loan of 1862, and, in reply, I am to state to you that his Lordship would not think it decorous to take advantage of the Sultan's presence in this country to make any communication to his Minister on behalf of the bondholders. I am also again to remind you, as stated in my letters of the 18th of June and 11th of August, 1866, that Her Majesty's Government decline all responsibility in regard to the payment of the interest on the loan in question.

I am, &c.

(Signed) E. HAMMOND.

No. 57.

Mr. Franklin to Lord Stanley.—(Received July 23.)

London Institution, Finsbury Circus, July 20, 1867.

My Lord,

IN acknowledging Mr. Hammond's letter, dated 18th instant, I crave excuse for the assumption that, while other claimants (better organized) are allowed audience of the Sultan in person, those on behalf of whom I ask, not for concession (pecuniary or otherwise), but simply for administrative precaution in the common interest, might reasonably suppose the opportunity favourable to remind the Sultan's Minister of an unfulfilled engagement. See my letter dated 9th August, 1866.

That letter repeated that no claim had been made upon Her Majesty's Government of a pecuniary character, and referred to the expediency of laying this correspondence, as a whole before Parliament. I am now respectfully to invite your Lordship to do so.

I have, &c.

(Signed) J. A. FRANKLIN.

No. 58.

Mr. Hammond to Mr. Franklin.

Foreign Office, July 24, 1867.

Sir,

IN reply to the observations contained in your letter of the 20th instant, I am directed by Lord Stanley to acquaint you that the Foreign Office did not in any way interfere to procure for claimants or others an interview with the Sultan or his Minister.

I am to add that Lord Stanley sees no ground for presenting to Parliament the correspondence to which you allude.

I am, &c.

(Signed) E. HAMMOND.

No. 59.

Mr. Franklin to the Earl of Clarendon.—(Received October 15.)

My Lord, *London Institution, Finsbury Circus, October 14, 1869.*

I HAVE the honour to recall attention to the correspondence with your Lordship's predecessors on the subject of the loan, subscribed under the auspices of Her Majesty's Government.

The intervention claimed on that correspondence, and exercised through Her Majesty's Ambassador at the Porte, continues to be relied upon for its object, namely, the constitution of an independent Syndicate on behalf of the bondholders of 1862 specifically, and the preservation of revenues contrived for and assigned in repayment of that loan, from any risk of being mixed up with other revenues and obligations of the Ottoman Government.

The announcement of new engagements to be contracted by that Government, and the complication of its relations with the Imperial Ottoman Bank, are the occasion for this present application to your Lordship for a statement of what has been the result of the official action promised on the interest of the bondholders?

It is satisfactory to feel assured that securities now available at Constantinople might, once and for all, remove any probability of need for that recourse (in case of default), which was notified in Parliament while the loan was still pending.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 60.

Mr. Otway to Mr. Franklin.

Sir, *Foreign Office, October 23, 1869.*

I AM directed by the Earl of Clarendon to acknowledge the receipt of your letter of the 14th instant, requesting to be informed what has been the result of the official action promised in the interest of the bondholders of the Turkish Loan of 1862, and I am to state to you in reply, that no information has been received on the subject since Lord Lyons reported a conversation he had with Fuad Pasha in May 1867, in which His Highness assured him that the dividends ending in the July following, not only on the foreign loans, but on the general debt, would certainly be paid to the very day.

Lord Clarendon will, however, instruct Her Majesty's Ambassador at Constantinople to inquire into the matter.

I am, &c.
(Signed) A. OTWAY.

No. 61.

The Earl of Clarendon to Mr. Elliot.

(No. 351.)

Sir, *Foreign Office, October 23, 1869.*

WITH reference to Lord Lyons' despatch No. 208 of the 22nd of May, 1867, I transmit to you herewith the accompanying copy of a letter from Mr. Franklin, requesting to be informed what has been the result of the official action promised in the interest of the Turkish bondholders of the Turkish Loan of 1862, and I have to instruct your Excellency to inquire into the matter.

I am, &c.
(Signed) CLARENDON.

No. 62.

Mr. Barron to the Earl of Clarendon.—(Received December 5.)

(No. 501.)

My Lord, *Constantinople, November 23, 1869.*

ON receipt of your Lordship's No. 351 of the 23rd October, which reached me only on the 20th instant, I immediately applied to the most competent authority for information

on the points referred to by Mr. J. A. Franklin, namely, on the creation of a Syndicate for the Loan of 1862.

The facts are that the revenues assigned for this loan have never in reality been passed to a special account, any more than those assigned for the other loans, in spite of the numerous reclamations on the part of the Embassy and of the Syndics.

It is true that in June 1865, in order to remove the opposition to the quotation on the Stock Exchange on the Dette Générale, a letter was published in the London papers announcing the creation of a separate account for the 1858 Loan, but this arrangement was superseded by the Iradé of 6th September, 1866. Had this Iradé been complied with strictly, the bondholders would in reality have had little to complain of, for the real point to be attained is the due application of the assigned revenues to their respective loans.

In case of remonstrance it would probably be answered that the present arrangement by which all the hypothecated revenues are paid into the Imperial Ottoman Bank, constitutes a "quasi" Syndicate, and supersedes the necessity of having separate Syndicates for each loan.

I have, &c.
(Signed) H. BARRON.

No. 63.

Mr. Hammond to Mr. Franklin.

Sir, *Foreign Office, December 10, 1869.*

WITH reference to Mr. Otway's letter of the 23rd of October last, I am directed by the Earl of Clarendon to inform you that Her Majesty's Chargé d'Affaires at Constantinople reports that the revenues assigned for the Turkish Loan of 1862 had never been passed to a special account, any more than those assigned for the other loans.

With reference, however, to the statement in your letter that the Loan of 1862 was subscribed under the auspices of Her Majesty's Government, I am to remind you of the statement made by Viscount Palmerston, in the House of Commons, on the 31st of March, 1862, viz., that "the British Government take upon themselves no responsibility with regard to the payment of the interest of the Loan of 1862."

I am, &c.
(Signed) E. HAMMOND.

No. 64.

Mr. Franklin to the Earl of Clarendon.—(Received December 16.)

My Lord, *London Institution, Finsbury Circus, December 16, 1869.*

I BEG leave to acknowledge receipt of Mr. Hammond's letter dated 10th instant, announcing that Her Majesty's Chargé d'Affaires at Constantinople reports that the revenues assigned for this loan have never been passed to a special account.

It must be obvious that so explicit a report of the laches of the Ottoman Government calls for prompt and effectual interposition by the Government of Her Majesty, considering the part taken by its accredited agents, not only at inception of the loan and appropriation of the proceeds, but in devising revenues for assignment in security, and in revising the representations put forth as inducements to subscribe. The statement quoted from Lord Palmerston's speech in Parliament impeached none of those facts. Besides, it could not be premonitory even in the single point now quoted, for at the date of its utterance (not directly to those concerned but incidentally in debate) the whole loan had already been subscribed. The Turkish Government may not have been reminded that revenues assigned for other Ottoman Loans are regularly intercepted. *Vide, inter alia*, the 5th paragraph of the inclosed prospectus of a new loan now on the market. Failing powers and opportunities so to intercept, an assignment can only be false pretence or a breach of contract. The question is obvious—What would be the position of affairs supposing the credit of Turkey destroyed by exposure of such laches, and of the consequent misappropriation to favoured creditors on the spot of the moneys belonging to the bondholders of 1862?

In reliance that Her Majesty's Government will forthwith interpose with effect, certain bondholders aggrieved forbear to publish reclamations at this juncture, although

ain ght by what has just been obtained in the matter of the sinking fund of the 5 per cent. Turkish Bonds, that such are the moments to secure justice.

Attention is respectfully called to the fact that revenues for the Loan of 1862 are peculiarly well fitted to pass into the hands of a receiver on behalf of the assignees.

I have, &c.
(Signed) J. A. FRANKLIN.

P.S.—It is deemed expedient in the interest of the Ottoman Government that so much of this letter as your Lordship may direct be immediately communicated to his Excellency the Turkish Minister at this Court.

No. 65.

Mr. Hammond to Mr. Franklin.

Foreign Office, December 23, 1869.

Sir,

I AM directed by the Earl of Clarendon to acknowledge the receipt of your letter of the 16th instant, and in reply I am again to state to you that you labour under a misapprehension in stating that Her Majesty's Government accept any responsibility with regard to the Ottoman Loan of 1862.

I am to add that Her Majesty's Chargé d'Affaires at Constantinople will be again instructed to make a further representation to the Porte on your behalf.

I am, &c.
(Signed) E. HAMMOND.

No. 66.

Mr. Franklin to the Earl of Clarendon.—(Received December 27.)

London Institution, Finsbury Circus, December 24, 1869.

My Lord,

THE receipt of your Lordship's assurance, just to hand, that Her Majesty's Chargé d'Affaires at Constantinople will be again instructed to make a further representation to the Porte on this subject, warrants postponement of further action by the bondholders in anticipation of early and satisfactory results.

Without repeating arguments spread over a correspondence of some years; and inasmuch as there has hitherto been no failure of payment of interest upon this loan, suffice it to take note of the official admission that no such payment has ever been duly provided for, so that default has been escaped by resort to expedients unlikely to be always available.

Lord Palmerston's words, even had they been comprehensive, or to the point substantially at issue, neither did nor could disavow responsibility to see duly performed the contract, upon faith in which the money had been provided at his instance.

If that responsibility ever become a burthen upon the country, it will have been due to disregard of the timely reclamations made in this correspondence.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 67.

Mr. Hammond to Mr. Franklin.

Foreign Office, December 29, 1869.

Sir,

I AM directed by the Earl of Clarendon to acknowledge the receipt of your letter of the 24th instant; and, in reply, I am to repeat to you that Her Majesty's Government admit no responsibility whatever in regard to the Ottonian Loan of 1862.

I am, &c.
(Signed) E. HAMMOND.

No. 68.

The Earl of Clarendon to Mr. Barron.

(No. 1.)

Foreign Office, January 3, 1870.

Sir,

WITH reference to your despatch No. 504 of the 23rd of November last, I transmit to you, for your information and guidance, the accompanying copies of a further correspondence which I have had with Mr. Franklin, together with two Memoranda drawn up in this office on the subject of the Ottoman Loan of 1862;* and I have to instruct you to make a representation to the Porte similar to that which Sir H. Bulwer, on the 1st of September, 1865, was instructed to make.

I am, &c.
(Signed) CLARENDON.

No. 69.

Sir H. Elliot to the Earl of Clarendon.—(Received May 27.)

(No. 23.)

Constantinople, May 19, 1870.

My Lord,

WITH reference to your Lordship's despatch No. 1 of the 3rd January last to Mr. Barron, I have the honour to transmit herewith the copy of a note from Aali Pasha in answer to one from Mr. Barron, of which a copy is likewise inclosed, expressing the Porte's readiness to comply with the wishes of the bondholders of the Loan of 1862, and to appoint a separate Syndicate, charged directly to receive the revenues hypothecated to this loan, and to make the payments as they become due.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure 1 in No. 69.

Mr. Barron to Aali Pasha.

Constantinople, January 28, 1870.

Sir,

I AM instructed by Her Majesty's Government to call the attention of the Sublime Porte to the Ottoman Loan of 1862, the subject of Sir Henry Bulwer's note to your Highness of the 19th of September, 1865. It was therein represented that complaints had been addressed to Her Majesty's Government with reference to the non-execution of an essential provision of the Imperial Rescript of 19th February, 1862, in virtue of which that loan was contracted. That rescript provides for the appointment of a Syndicate charged directly to receive the revenues hypothecated to this loan, and to make the payments as they become due. This would signify in effect to receive certain specific revenues (officially estimated to yield 1,885,200*l.* per annum), and to keep the same apart from other revenues until the lien of 640,000*l.* per annum shall have been satisfied by payment of 6 per cent. for interest and 2 per cent. per annum towards the sinking fund. This matter has since 1862 been frequently pressed on the attention of Her Majesty's Government on behalf of the bondholders, and again recently, on the issue of the last Ottoman Loan of 1869, for 12,000,000*l.* sterling. It has also been the subject of frequent verbal representations from and assurances to this Embassy.

In compliance with Lord Clarendon's instructions, I have therefore now the honour again to represent to your Highness the importance of this matter, and to request that the above engagement of the Imperial Government toward British subjects be carried out without any further delay.

I have, &c.
(Signed) H. BARRON.

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* Nos. 64, 65, 66, and 67.

Inclosure 2 in No. 69.

Aali Pasha to Sir H. Elliot.

Sublime Porte, le 18 Mai, 1870.

M. l'Ambassadeur,

J'AI reçu la note que Mr. Barron a bien voulu m'adresser le 28 Janvier, concernant la demande formulée par un certain nombre de détenteurs de l'emprunt de 1862, pour la nomination d'un Syndicat chargé de recevoir directement les revenus assignés en garantie de cet emprunt, et de faire les paiements à leur échéance.

Votre Excellence sait que le Gouvernement Impérial, fidèle à ses engagements, a toujours exécuté scrupuleusement les obligations se rattachant à l'emprunt de 1862. Les revenus assignés en garantie, loin de subir jusqu'ici le moindre retard, ont été revisés intégralement et régulièrement par l'entremise de la Banque Impériale Ottomane, et j'ajouterai que les mesures adoptées par la Sublime Porte en vue d'assurer l'exécution de tous ses engagements de ce genre sont une nouvelle et suffisante garantie pour l'avenir.

Néanmoins, si les détenteurs de l'emprunt de 1862 persistent dans leur demande primitive au sujet de l'institution du Syndicat, la Sublime Porte est prête à y donner suite, et elle attendra la nomination des trois délégués représentant les détenteurs au sein de ce Syndicat, pour désigner également les siens.

En priant votre Excellence de vouloir bien porter ce qui précède à la connaissance de qui de droit, je saisis, &c.

(Signé) AALI.

No. 70.

Mr. Hammond to Mr. Franklin.

Foreign Office, May 30, 1870.

Sir,

WITH reference to your letter of the 16th of December last, I am directed by the Earl of Clarendon to acquaint you that he has been informed by Her Majesty's Ambassador at Constantinople that, if the bondholders of the Loan of 1862 still persist in their demand that the revenues assigned for that loan should pass into the hands of a receiver, the Porte is willing to comply with their wishes, and to appoint a separate Syndicate charged directly to receive the revenues hypothecated to that loan, and to make the payments as they become due.

I am, &c.

(Signed) E. HAMMOND.

No. 71.

Mr. Franklin to the Earl of Clarendon.—(Received June 8.)

London Institution, Finsbury Circus, June 7, 1870.

My Lord,

I HAVE the honour to acknowledge receipt of Mr. Hammond's very satisfactory communication dated 30th May, to which, it will have been observed, immediate publicity was given, as heretofore, in like circumstances.

I pray your Lordship to take for granted that the bondholders "still persist in their demand," as set forth in Mr. Hammond's letter above referred to; and I shall be prepared to adduce conclusive testimony of that persistence when called upon so to do, employing for that purpose the agency of the Council of Foreign Bondholders, unless your Lordship prescribe otherwise.

Meanwhile, I venture to submit my own conviction that, reviewing the exceptional circumstances frequently recited in this correspondence, no course could be so natural, so satisfactory to the bondholders, and so consonant with Imperial interests as that Her Majesty's Ambassador should nominate a special Syndicate for approval of the Porte.

Thankfully acknowledging the courtesy and consideration extended to me by the Foreign Office throughout this correspondence,

I have, &c.

(Signed) J. A. FRANKLIN.

No. 72.

Mr. Hammond to Mr. Franklin.

Foreign Office, June 11, 1870.

Sir,

I AM directed by the Earl of Clarendon to acquaint you that a copy of your letter of the 7th instant will be forwarded to Her Majesty's Ambassador at Constantinople, with instructions to inform the Porte that the bondholders of the Loan of 1862 persist in their demand for a Syndicate, and although Sir Henry Elliot cannot be authorized to nominate it, he will request that impartial persons may be selected.

I am, &c.

(Signed) E. HAMMOND.

No. 73.

The Earl of Clarendon to Sir H. Elliot.

(No. 104.)

Foreign Office, June 13, 1870.

Sir,

I INCLOSE herewith a copy of a letter which I have received from Mr. Franklin, in reply to a communication which was addressed to him on the receipt of your despatch No. 23 of the 19th ultimo, from which you will perceive that the bondholders of the Loan of 1862 persist in their demand for the appointment of a separate Syndicate, charged directly to receive the revenues hypothecated to that loan.

You will inform Aali Pasha of the wishes of the bondholders, and request his Highness to fulfil the promise contained in his letter to your Excellency of the 18th ultimo, in regard to the appointment of a Syndicate, expressing at the same time a hope that impartial persons may be nominated to serve on it.

I am, &c.

(Signed) CLARENDON.

No. 74.

Mr. Franklin to the Earl of Clarendon.—(Received June 15.)

London Institution, Finsbury Circus, June 14, 1870.

My Lord,

I HAVE the honour to acknowledge Mr. Hammond's letter dated 11th instant, intimating that a copy of my last letter will be sent to Constantinople, as I assume, in sequence to former communications, establishing the importance to Her Majesty's Government that due securities be taken against risks of default in provision for repayment of this loan.

Your Lordship's further intimation that Her Majesty's Ambassador "will request that impartial persons may be selected," is acceptable as implying that he is to be satisfied in respect of that as well as of other essentials.

Without presuming to offer suggestions at this stage on what concerns collection, custody, and appropriation, I venture to call attention to the fact that the half-yearly drawings and repayments at par take place in London, and that it would be reasonable that those operations should be supervised on behalf of the actual bondholders as a matter of principle, although otherwise unnecessary.

I have, &c.

(Signed) J. A. FRANKLIN.

No. 75.

Mr. Hammond to Mr. Franklin.

Foreign Office, June 18, 1870.

Sir,

I AM directed by the Earl of Clarendon to acknowledge the receipt of your letter of the 14th instant, containing observations on the subject of the Turkish Loan of 1862.

I am, &c.

(Signed) E. HAMMOND.

No. 76.

The Earl of Clarendon to Sir H. Elliot.

(No. 109.)

Foreign Office, June 18, 1870.

Sir,

WITH reference to my despatch No. 104 of the 13th instant, I transmit, for your Excellency's information, the accompanying copy of a further letter from Mr. Franklin on the subject of the Turkish Loan of 1862.*

I am, &c.

(Signed) CLARENDON.

No. 77.

Sir H. Elliot to the Earl of Clarendon.—(Received June 29.)

(No. 78.)

Therapia, June 20, 1870.

My Lord,

AS instructed by your Lordship's despatch No. 104 of the 13th ultimo, I have informed Aali Pasha that the bondholders of the Loan of 1862 persist in desiring the appointment of a separate Syndicate charged directly with receiving the revenues hypothecated to it; and I have at the same time expressed the hope that impartial persons may be appointed to serve on it.

I have, &c.

(Signed) HENRY ELLIOT.

No. 78.

Mr. Hammond to Mr. Franklin.

Foreign Office, June 29, 1870.

Sir,

WITH reference to my letter of the 11th instant, I am directed by the Secretary of State to acquaint you that Sir Henry Elliot has reported to this Office that he has informed Aali Pasha that the bondholders of the Loan of 1862 persist in desiring the appointment of a separate Syndicate, charged directly with receiving the revenues hypothecated to it, and his Excellency at the same time expressed the hope that impartial persons would be appointed to serve on it.

I am, &c.

(Signed) E. HAMMOND.

No. 79.

Sir H. Elliot to Earl Granville.—(Received September 17.)

(No. 183.)

Therapia, September 1, 1870.

My Lord,

I HAVE the honour to forward to your Lordship herewith the reply of the Porte to the representations which, in obedience to your Lordship's instructions, I had made to them in reference to the appointment of a Syndicate to receive the revenue hypothecated to the Loan of 1862.

With a view to meet the wishes of Her Majesty's Government, the Porte requests that three delegates may be named to represent the bondholders in a Syndicate, composed of them and three Ottoman Members, under the presidency of the Minister of Finance.

I have, &c.

(Signed) HENRY ELLIOT.

Inclosure in No. 79.

Aali Pasha to Sir H. Elliot.

Constantinople, le 31 *Août*, 1870.

M. l'Ambassadeur,

J'AI reçu la note que votre Excellence m'a fait l'honneur de m'adresser le 20 Juin, relativement à la nomination d'un Syndicat, chargé de recevoir directement les

* No. 74.

revenus assignés en garantie de l'Emprunt de 1862, et de faire les paiements à leur échéance.

Conformément au désir exprimé par les détenteurs de cet emprunt, la Sublime Porte vient d'autoriser l'institution de ce Syndicat, qui, présidé par le Ministre des Finances de Sa Majesté Impériale le Sultan, aura pour membres Ottomans Balmoumdji Zadé Echreff Effendi, négociant, et Hudaverdi Zadé Ohanès Effendi, banquier.

Vous voudrez bien, M. l'Ambassadeur, porter ce qui précède à la connaissance du Gouvernement de Sa Majesté Britannique et le prier de nous faire connaître, de son côté, avec leurs noms et qualités, les trois délégués représentant les détenteurs de l'Emprunt de 1862 au sein du dit Syndicat.

Veuillez, &c.

(Signé) AALI.

No. 80.

Mr. Hammond to Mr. Franklin.

Foreign Office, September 20, 1870.

Sir,

WITH reference to my letter of the 29th of June last, respecting the appointment by the Porte of a Syndicate to receive the revenue hypothecated to the Loan of 1862, I am directed by Earl Granville to transmit to you, for the consideration of the bondholders, the accompanying copy of a letter addressed by his Excellency Aali Pasha to Her Majesty's Ambassador at Constantinople,* stating the course which the Porte is willing to take in that matter; and I am to add, that Lord Granville will, on learning your wishes, instruct Sir Henry Elliot accordingly.

I am, &c.

(Signed) E. HAMMOND.

No. 81.

Mr. Franklin to Earl Granville.—(Received September 24.)

London Institution, September 22, 1870.

My Lord,

I HAVE the honour to acknowledge receipt of Mr. Hammond's letter of 20th instant, covering copy of despatch from his Highness Aali Pasha, and I take the usual course for publication of the satisfactory intelligence therein conveyed.

The channel employed for the purpose is "The Council of Foreign Bondholders," whose intervention may be required for convening the bondholders in general meeting, in case that method of electing representatives upon the Syndicate should be resorted to.

Meanwhile, however, I venture to renew the suggestion that the English representatives on the Syndicate shall be partly or even altogether comprised of gentlemen officially connected with Her Majesty's Embassy; at all events, in the first instance. Such appointment would not only give confidence to the bondholders but also to the Ottoman Government, thereby afforded the co-operation of men of political capacity and reputation. It would, moreover, be consonant with that admirable procedure of the Foreign Office which enables its Diplomatic Staff to obtain better information concerning the organization and administration of foreign countries in the interest of the public at home.

In every case it will be undesirable to wait definitive constitution of the Syndicate, in order to protect accruing revenues from risk of misdirection; and your Lordship is prayed to give instructions accordingly.

As means to understand how the Syndicate could best discharge its functions, I beg leave to apply for such information as is in possession of the Foreign Office pertinent to the subject, and notably to the mode of collecting the revenues specially hypothecated in security of the Anglo-Turkish Loan of 1862.

If the information already available be insufficient, I respectfully solicit application for what is necessary and reasonable to be obtained through Her Majesty's Embassy and Consulates.

I have, &c.

(Signed) J. A. FRANKLIN.

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* Inclosure in No. 79.

No. 82.

Mr. Otway to Mr. Franklin.

Foreign Office, September 27, 1870.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 22nd instant, stating the course which you are desirous that Her Majesty's Government should take in regard to the appointment of the three English Delegates who are to represent the bondholders of the Loan of 1862 in the Syndicate appointed by the Porte to meet the wishes of those bondholders. In reply, I am to acquaint you that Lord Granville regrets that he cannot allow any of the gentlemen connected with Her Majesty's Embassy to have anything to do with the matter; but that, when the bondholders have named their own representatives, his Lordship will not object to Sir Henry Elliot's making known their names to the Porte.

I am to add, also, that Lord Granville also regrets that he cannot furnish you with the information you request in regard to the functions of the Syndicate, which you will, however, best obtain through the means of your representatives as soon as they enter upon their duties.

I am, &c.

(Signed) ARTHUR OTWAY.

No. 83.

Mr. Franklin to Earl Granville.—(Received October 15.)

London Institution, Finsbury, October 13, 1870.

My Lord,

I ASK leave to explain that the information concerning the tobacco, salt, stamps, and licence revenues applied for in my letter of 22nd September, is that which Mr. Barron has been engaged in preparing, and which might probably be made available for reference in advance of the usual time of publication.

Since receipt of Mr. Otway's letter dated 27th September, I have collected the correspondence on the subject, commencing with the claim put forward through the brokers for the Loan, dated 28th August, 1865, and am having it prepared for communication to all concerned, in advance of measures required for rallying and organizing the bondholders. Such measures must be necessary to validate appointment of representatives at Constantinople, if such can be found competent and willing to serve in that capacity.

Meanwhile, your Lordship is prayed to give consideration for the very anomalous position in which the bondholders are left by gentlemen in Her Majesty's service (*vide* the names of some, published with authority, or the prospectors of the loan) who induced subscriptions as for an object of State policy (British). Those gentlemen were relied upon for not neglecting due securities, *inter alia*, the constitution of a special Syndicate. They left their posts for other objects, including other service of Her Majesty, without indicating what remained undone, and without warning the bondholders of the dangers from passive resistance to their claims, likely to be encountered, instead of the vigilance and co-operation due from the associates and appointees of those so retiring.

My letter of 20th June, 1866, quoted from Hansard the notice given to Her Majesty's Government on 31st March, 1862:—

"We contributed to this loan owing to the encouragement which you gave us for the fulfilment of our expectations."

Now that his Excellency Aali Pasha invited Her Majesty's Government to take action which could secure us from misappropriation of our dues, we cannot doubt that the Pasha's invitation is being in effect, if not in form, accepted, without leaving it to be inferred that the Syndicate, already inaugurated, may delay action until the bondholders can be rallied, organized, and enabled to find auxiliaries.

I beg leave to remind your Lordship that the peculiar and exceptional incidents of this loan warrant and require the intervention of Her Majesty's Government, and that such intervention cannot have the embarrassing character of a precedent citable by other foreign bondholders.

The progress made in organizing the bondholders, and inducing them to take more direct action, shall be reported to the Foreign Office as occasion arises.

I have, &c.

(Signed) J. A. FRANKLIN.

No. 85*.

Mr. Hammond to Mr. Hyde Clarke.

Foreign Office, April 26, 1871.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 12th instant, on the subject of the views entertained by the Council of Foreign Bondholders, as expressed by Mr. Gerstenberg and Mr. Eastwick on the occasion of their interview with his Lordship on the 29th ultimo.

In alluding to your letter to the observations made by Earl Granville to those gentlemen, I am desired to point out that you omit all reference to his Lordship's remarks with regard to the principles which had been acted upon by successive Secretaries of State, with reference to the undesirability of Her Majesty's Government encouraging hazardous loans to foreign countries, or of their giving to such transactions an impetus, such as would be afforded if it were understood that the repayment of loans, made probably at a high rate, would be enforced by the power of Great Britain.

In order, therefore, to prevent any misapprehension as to the amount of support which Her Majesty's Government are prepared to afford to British holders of foreign bonds, Earl Granville is desirous that the Council of Foreign Bondholders should clearly understand that his Lordship in no way departs from the views and principles entertained and frequently laid down by his predecessors.

The policy of Her Majesty's Government with regard to the general question of the assistance to be given to foreign bondholders who fail to obtain their rights, has always been, and will continue to be, limited to unofficial support and friendly remonstrance with such foreign States as from time to time fail to meet their obligations.

Her Majesty's Government are in no way party to private loan transactions with foreign States. Contracts of this nature rest only between the Power borrowing and the capitalists who enter into them as speculative enterprises, and who are content to undertake extraordinary risks in the hope of large contingent profits. Further, it is scarcely necessary to point out the endless troubles which certainly would arise if the active intervention of England were exerted to redress the grievances of bondholders. Independently of the expense which would necessarily be incurred, and the risk of international complications, forcible measures, if adopted towards small States, which for the most part are the ones complained of, would subject this country to grievous imputations. For such and other obvious reasons, Her Majesty's Government have determined, as a matter of wise policy, to abstain from taking up, as international questions, the complaints of British subjects against foreign States which fail to make good their engagements in regard to such pecuniary transactions, or to interpose, except by good offices, between bondholders and the States by which they may be wronged.

Her Majesty's Government will, however, be at all times ready to give their unofficial support to bondholders in the prosecution of their claims against defaulting States, and such parties may always count upon the moral influence of this country being exerted, though unofficially, on their behalf; but the parties must not expect that forcible measures, such as reprisals, and still less any of a more decidedly warlike character, will ever be resorted to by Her Majesty's Government in support of their claims.

Her Majesty's Government will not lose sight of the specific claim of the Venezuelan bondholders for the 18,000 dollars which is alluded to in your letter, and which stands on a different footing from the general claims of the bondholders; but they must remain free to decide as to the manner in which, and the time when, that claim, as well as the claims of other of Her Majesty's subjects, shall be pressed upon the Republic.

In accordance with your request I inclose a letter of introduction for Mr. Gerstenberg to Her Majesty's Ambassador at Vienna, who is directed to afford him such unofficial assistance as his Excellency properly can, during Mr. Gerstenberg's residence at Vienna.

I am, &c.

(Signed) E. HAMMOND.

No. 84.

Mr. Hammond to Mr. Franklin.

Foreign Office, October 18, 1870.

Sir,

I AM directed by Earl Granville to acquaint you, in reply to your letter of the 13th instant, that the information which Mr. Barron may have collected with a view to his periodical report cannot be published before its presentation to Parliament; and I am to add that Lord Granville can do no more in the matter of the Loan of 1862, to which your letter refers, than has already been done, viz., obtain the consent of the Porte to the establishment of a Syndicate.

I am, &c.

(Signed) E. HAMMOND.

No. 85.

Mr. Clarke to Earl Granville.—(Received January 7.)

115, *Palmerston Buildings, London, January* 6, 1871.

My Lord,

I HAVE the honour to inform you that, at a meeting of the holders of Turkish Bonds of 1862, convened by public advertisement, and held at the London Tavern on Tuesday, 26th December last, it was resolved that a Committee be appointed, to act in conjunction with the Council of Foreign Bondholders, for and on behalf of the English holders of that loan, and to represent their interests.

At a meeting of the Committee held on the 4th instant, Mr. Edwin H. Lawrence was elected Chairman of the Committee, and I was elected Secretary.

The previous correspondence of Mr. Franklin with the Foreign Office having been read, I was directed to communicate to your Lordship the sincere thanks of the Committee representing the bondholders for the kind offices of your Lordship and your predecessor on their behalf in a matter of so much importance to the large interests involved.

The Committee will, in reference to your Lordship's letter of the 20th September, and the despatch of his Highness Aali Pasha of the 21st August, confer with the Imperial Ottoman Bank as to the measures to be taken for appointing the English members of the Syndicate.

I have, &c.

(Signed) HYDE CLARKE, *Secretary.*

No. 86.

*Earl Granville to Sir H. Elliot.**

Foreign Office, April 29, 1871.

Sir,

I TRANSMIT to you, for your information, a copy of a letter which I have caused to be addressed to the Council of Foreign Bondholders, respecting the policy of Her Majesty's Government with regard to the question of foreign bondholders who may fail to obtain their rights.

I am, &c.

(Signed) GRANVILLE.

No. 87.

Mr. Clarke to Earl Granville.—(Received May 11.)

115, *Palmerston Buildings, London, May* 10, 1871.

My Lord,

I HAVE the honour to inform your Lordship that three members have been named by the Committee of Turkish Bondholders of 1862 and appointed by the Imperial Ottoman Bank to represent the bondholders in the Imperial Syndicate, in virtue of the inter-

* Similar despatches were addressed to Mr. Watson, Sir A. Buchanan, Sir D. Hay, Mr. Wood, and Mr. Alison.

vention of Sir Henry Elliott and Mr. Barron, and of the letter of his Highness Aali Pasha, Grand Vizier, to Sir H. Elliot, of the 31st August, and communicated through your Lordship to Mr. J. A. Franklin.

As this completes the measures taken by Her Majesty's Government in aid of the bondholders, the Council request the favour that your Lordship will authorize Her Majesty's Ambassador to present to his Highness the Grand Vizier the three gentlemen named, Mr. C. S. Hansen, Mr. Heald, and Mr. L. Walter Courtenay.

Mr. L. Walter Courtenay was formerly for many years in the service of Her Majesty's Indian Government as their Commissioner in the Telegraph Department at Constantinople, and he has, therefore, been selected by the Committee to represent them as their Commissioner at Constantinople, and he will be charged with the working duties of this Syndicate, and of such others as may be reposed in him. His mission is one of great importance to the Ottoman Government and to this country, and it may be desirable that he should profit by the advice of Her Majesty's Ambassador. The Council will, therefore, feel much obliged if your Lordship will recommend Mr. Courtenay to the kindly consideration of Her Majesty's Ambassador.

The appointment by the Imperial Ottoman Bank is only now being completed, and Mr. Courtenay proceeds to Constantinople this evening. I am, therefore, requested to solicit your Lordship, should you think fit to comply with this application, to forward a letter to Her Majesty's Ambassador at Constantinople, to whom Mr. Courtenay will present himself.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

No. 88.

Earl Granville to Mr. Elliot.

(No. 106.)
Foreign Office, May 12, 1871.

Sir,

WITH reference to your Excellency's despatch No. 183 of the 1st of September last, I inclose, for your information, the accompanying copy of a letter from Mr. Hyde Clarke, announcing the names of the members selected by the Committee of Turkish Bondholders of 1862 to represent them in the Imperial Syndicate;* and I have to instruct your Excellency to notify the same to the Porte, and to afford to Mr. Courtenay, who is proceeding to Constantinople to represent the bondholders as their Commissioner, such assistance as you may consider right and proper.

I am, &c.
(Signed) GRANVILLE.

No. 89.

Mr. Hammond to Mr. Clarke.

Foreign Office, May 16, 1871.

Sir,

I AM directed by Earl Granville to acquaint you that a copy of your letter of the 10th instant has been forwarded to Her Majesty's Ambassador at Constantinople, with instructions to inform the Porte of the names of the gentlemen selected by the Turkish bondholders of 1862 to represent them in the Syndicate, and to afford Mr. Courtenay such assistance as may be right and proper.

I am, &c
(Signed) E. HAMMOND.

No. 90.

Sir H. Elliot to Earl Granville.—(Received June 9.)

(No. 213.)
Therapia, May 31, 1871.

My Lord,

AS instructed by your Lordship's despatch No. 106 of the 12th instant, I have communicated to the Porte the names of the three gentlemen selected as the British members of the Syndicate of the bondholders of the Turkish Loan of 1862.

* No. 87.

They were subsequently, by my direction, presented by Mr. Pisani to the Grand Vizier, according to the request contained in your Lordship's despatch, when his Highness promised that the Minister of Finance should be instructed to afford them every facility in the execution of their duties.

I understand that, while the Porte does not try to question the right of the bondholders to appoint this Syndicate, they regard the present exercise of it as an exhibition of distrust, which the admitted punctuality in the payments of the dividends rendered uncalled for, and which, by locking up a large sum of money, will cause an unnecessary loss to the Government of at least 12,000*l.* a-year.

This feeling is very generally shared by the financial public here, and the attempt that was made to get the Ottoman Bank to deduct the expenses of the Syndicate from the coupons of the dividends, but which the bank refused to do, as being incompatible with its obligations to the bondholders, is also very severely criticized.

I have, &c.
(Signed) HENRY ELLIOT.

No. 91.

Mr. Clarke to Earl Granville.—(Received February 15.)

15, Palmerston Buildings, London, February 14, 1872.

My Lord,

THE Committee for this loan have the honour to represent to your Lordship that the Ottoman Government proposes to introduce a new mode of levying the tobacco tax assigned for the security of this loan by establishing a "régie."

I am instructed to lay before your Lordship's notice that, notwithstanding the representations of Her Majesty's Ambassador, the Syndicate, which has been nominated, has not yet been allowed to exercise its functions, and that it is now proposed to interfere with one of the securities of the loan. As the Ottoman Government expects by the "régie" to raise from tobacco a large sum of money, and with greater facility than under the former system, a suitable opportunity is offered to put the Syndicate in force, and to pay to its account the sums contracted.

The Committee therefore respectfully solicit that your Lordship will be pleased to instruct Her Majesty's Embassy to request the Ottoman Government at once to pay in the sums now due for the current half-year, in accordance with the terms of the contract.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

No. 92.

Memorandum by Sir H. Elliot.

IF, as is expected, the establishment of a "régie" of tobacco greatly increases the revenue derived from it, it will have the effect of improving the securities held by the bondholders.

By the terms of their contract they were entitled to the nomination of a Syndicate, but the unwillingness of the Porte to give that body a real existence was greatly increased by the manner in which it was attempted to provide for the salaries of its members by a deduction from its coupons.

Sir P. Francis* had no doubt that the Turkish Government would have been acting illegally, if it had consented to this course, and the Council of Shareholders then showed a disposition to insist that the Porte was bound to pay the salaries as fixed in London.

The bondholders may properly be supported in asking that the Syndicate should be put in the position contemplated by the original contract, but care should be taken that any such support by Her Majesty's Embassy should not be held to include an approval of any of the various proposals that may have been made for the payment of the members.

(Signed) HENRY ELLIOT.

February 20, 1872.

* Judge of the Supreme Consular Court at Constantinople.

No. 93.

Earl Granville to Mr. Rumbold.

Foreign Office, March 2, 1872.

(Telegraphic.)

DO not interfere in behalf of the Ottoman Bank with reference to the tobacco contract.

No. 94.

Mr. Hammond to the Queen's Advocate.

Foreign Office, March 6, 1872.

Sir,

I AM directed by Earl Granville to transmit to you the accompanying letter from the Council of Foreign Bondholders with reference to the "régie" lately established by Ottoman Government on the tobacco tax in that country, the proceeds of which tax were previously assigned as a security to the bondholders of the Ottoman Loan of 1862.

I also inclose a Memorandum upon this subject from Her Majesty's Ambassador at Constantinople, who is now in this country;* and I am to request that you will favour Lord Granville with your opinion as to the answer which should be returned to the Council of Bondholders.

The former papers are herewith annexed for reference, if required.

I am, &c.

(Signed) E. HAMMOND.

No. 95.

The Queen's Advocate to Earl Granville.—(Received March 12.)

Temple, March 11, 1872.

My Lord,

I AM honoured with your Lordship's commands signified in Mr. Hammond's letter of the 6th instant, stating that he was directed to transmit to me the accompanying letter from the Council of Foreign Bondholders, with reference to the "régie" lately established by the Ottoman Government on the tobacco tax in that country, the proceeds of which tax were previously assigned as a security to the bondholders of the Ottoman Loan of 1862.

A memorandum upon the subject from Her Majesty's Ambassador at Constantinople, who is now in this country, was also inclosed; and Mr. Hammond was pleased to request that I would furnish your Lordship with my opinion as to the answer which should be returned to the Council of Bondholders. The former papers were also inclosed.

In obedience to your Lordship's commands I have the honour to report—

That the bondholders may be properly informed that Her Majesty's Ambassador at Constantinople will be instructed to use his good offices in support of a request on their part that the Ottoman Government shall allow the Syndicate to exercise its functions in the manner contemplated by the original contract, but that your Lordship must decline to comply with the request of the Committee, "that your Lordship should instruct Her Majesty's Ambassador to request the Ottoman Government at once to pay in the sums now due for the current half year, in accordance with the terms of the contract."

I have, &c.

(Signed) TRAVERS TWISS.

No. 96.

Mr. Hammond to Mr. Clarke.

Foreign Office, March 18, 1872.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 14th ultimo, representing that the Ottoman Government proposes to introduce a new mode of levying the tobacco tax, assigned as a security to the bondholders of the Ottoman Loan of 1862; and I have to state to you, in reply, that his Lordship will instruct Her Majesty's Chargé d'Affaires at Constantinople to use his good offices in support of a

* No. 92.

request on their part that the Ottoman Government shall allow the Syndicate to exercise its functions in the manner contemplated by the original contract; but his Lordship must decline to comply with the suggestion of the Committee that the Ottoman Government should be requested at once to pay in the sums now due for the current half year, in accordance with the terms of the contract.

I am, &c.

(Signed) E. HAMMOND.

No. 97.

*Earl Granville to Mr. Rumbold.**

(No. 33.)

Foreign Office, November 18, 1872.

Sir,

I TRANSMIT to you herewith, for your information, the accompanying copies of a correspondence which I have had with the Council of Foreign Bondholders, with reference to the "régie" lately established by the Ottoman Government on the tobacco tax in that country, the proceeds of which tax were previously assigned as a security to the bondholders of the Ottoman Loan of 1862;† and I have to instruct you to use your good offices in support of a request on their part, that the Ottoman Government shall allow the Syndicate to exercise its functions in the manner contemplated by the original contract: but you must not comply with the request of the Committee that the Ottoman Government should at once pay in the sum now due for the current half year, in accordance with the terms of the contract.

I am, &c.

(Signed) GRANVILLE.

No. 98.

Mr. Clarke to Earl Granville.—(Received March 23.)

115, Palmerston Buildings, London, March 22, 1872.

My Lord,

I HAVE the honour to lay before your Lordship, for your information, a copy of a letter dated 20th March, addressed by the Council of Foreign Bondholders to the Société de Crédit Austro-Turque, and the Imperial Ottoman Bank, engaged in negotiations for advances on the "régie" of tobacco, the revenues of which were assigned as a security to the holders of the 1862 Loan.

I have, &c.

(Signed) HYDE CLARKE, *Secretary.*

Inclosure in No. 98.

Mr. Clarke to the Directors of the Société de Crédit Austro-Turque.

115, Palmerston Buildings, London, March 20, 1872.

Gentlemen,

I AM instructed by the Council of Foreign Bondholders to call your attention to the circumstance that, by virtue of an Imperial Firman, and by bond, the whole of the revenues of the Imperial Ottoman Government, now derived, or hereafter to be derived from the article of tobacco, have been assigned and appropriated as a special guarantee, to the holders of the Ottoman Loan of 1862, as appears by the following extract from the Firman:—

"Therefore the stipulations as regards the said Loan, contained in the contracts concluded by my said Grand Vizier, as modified or altered by the said additional contract, dated the 22nd day of March, 1862, are fully accepted and confirmed on my Most Gracious Imperial part. And, whereas, in conformity therewith, the whole of the revenues of the Exchequer of my Imperial Government, present and future, and, particularly as a special guarantee, the revenues now derived or hereafter to be derived from the articles of tobacco, salt, stamps, and patents, have been designed and appropriated, and a bond has, with my Imperial sanction, been made and delivered by my said Grand Vizier, dated the 7th day of April, 1862, hypothecating the said revenues as a fund for the payment of the principal of the said Loan, with interest thereon, and all expenses thereto."

* Her Majesty's Chargé d'Affaires.

† Nos. 91, 95, and 96.

In compliance with this contract, a Special Commission or Syndicate has been appointed, of which three members have been nominated by the Ottoman Government, and three members have been nominated by the contractors, on the proposition of the Committee of Bondholders.

I am instructed to state that the Council of Foreign Bondholders adhere to the strict fulfilment of the prior stipulations and conditions on which the Loan of 1862 was entered into between the Imperial Ottoman Government and the bondholders, whether the revenues be received under the present system, or under any other system of "régie."

As it is understood you propose to take part in the negotiations for the "régie," I beg to call your attention to this subject, so that the necessary arrangements may be made for carrying out the payment to the Syndicate, on account of their first charge and mortgage of the proceeds of the revenues to be received from the "régie."

I remain, &c.
(Signed) HYDE CLARKE, *Secretary.*

No. 99.

Mr. Rumbold to Earl Granville.—(Received April 13.)

(No. 75.) *Constantinople, March 31, 1872.*

My Lord,

THE correspondence exchanged between your Lordship and the Council of Foreign Bondholders, of which your Lordship did me the honour to inclose copies in your despatch No. 33 of the 18th instant, may make the views lately expressed at the Porte, respecting the Syndicate of the Loan of 1862, worth reporting.

I accordingly inclose a copy of the account given to me by Mr. Pisani of a conversation he had on this subject with the Minister of Finance, on the 21st instant.

Your Lordship will perceive that his Excellency, if correctly reported, denies the existence of the Syndicate, although it actually held sittings under the presidency of one of his predecessors.

I have been careful to confine myself to strictly officious representation in this matter, and I have entirely avoided touching upon the point urged by the Syndicate, of their claim to a payment by the bondholders of 1*d.* in the 1*l.*, to meet their expenses.

I have been able, however, to convince myself that the Porte has no intention at present to allow the Syndicate to exercise its functions, and I believe that, for reasons on which it is needless to dwell here, the chief argument I have used, that by refusing the Syndicate the Porte damages its credit on the London financial market, has lost much of its force in the eyes of this Government.

I have, &c.
(Signed) HORACE RUMBOLD.

Inclosure in No. 99.

Mr. Pisani to Mr. Rumbold.

Pera, March 21, 1872.

Sir,

IN a conversation I had yesterday with the Minister of Finance on the subject of the Syndicate of the bondholders of the Loan of 1862, his Excellency informed me that Messrs. Courtenay, Hansen, and Heald, as members of the Syndicate of that loan, have brought forward a claim against the Porte for the sum of 2,500*l.* They allege that the Porte has rendered itself liable for this amount because they did not enforce the payment of 1*d.* in the 1*l.* by the bondholders on the last dividend. The Porte answers that their claim is the more unfounded as no Syndicate has as yet been formed; that, in the contract of the loan, no allowance is stipulated on behalf of the Syndicate, and that the Porte is neither willing to support such a charge, nor could be justified to enforce it upon the bondholders.

With reference to the formation of the Syndicate, the Porte continues to be hostile to it. It is of opinion that the clause of the contract referring to the point in question has not been for several years carried out by the tacit consent of both parties, and that its enforcement at present would injure their credit; for it could justify the belief that they have not hitherto faithfully and loyally fulfilled their engagements with respect to this

loan. At all events they will not accede to the formation of the Syndicate if it is to be a charge for them or for the bondholders.

I have, &c.
(Signed) E. PISANI.

No. 100.

Earl Granville to Mr. Rumbold.

(No. 55.) *Foreign Office, April 26, 1872.*

Sir,

I HAVE received your despatch No. 75 of the 31st ultimo, inclosing Mr. Pisani's report of a conversation he held with the Minister of Finance of the Turkish Government, in which his Excellency informed him that the members of the Syndicate of the Ottoman Loan of 1862 had put forward a claim to be paid 1*d.* in the 1*l.* on the last dividend which the Porte had refused to entertain on the plea that the Syndicate has not, as yet, been formed, and adding that, at all events, they will not accede to the formation of the Syndicate if it is to be a charge on them or the bondholders.

I have nevertheless to instruct you to act on the instructions contained in my despatch No. 33 of the 18th ultimo, and to press, though unofficially, for the Syndicate being appointed.

I am, &c.
(Signed) GRANVILLE.

No. 101.

Sir H. Elliot to Earl Granville.—(Received June 7.)

(No. 21.) *Therapia, May 25, 1872.*

My Lord,

AGREEABLY to the instructions contained in your Lordship's despatch No. 55 to Mr. Rumbold, I have taken an opportunity of again unofficially urging upon Server Pasha the propriety of consenting without further hesitation to the appointment of a Syndicate for the Loan of 1862.

His Excellency's language did not lead me to infer that the Porte was likely to give way, and he showed me a letter addressed about three months ago by the English members of the Syndicate to the Grand Vizier, which is drawn up in terms little calculated to bring the question to a favourable solution.

In this letter of which your Lordship will find the copy inclosed, the Grand Vizier is informed that, although the demand for the expenses of the Syndicate might "perhaps" not have been made if the Porte had consented to its formation, under existing circumstances the Sultan's Government will be held liable for the whole of them.

Server Pasha said it was impossible for the Porte not to repudiate utterly such a pretension, which was founded on a false construction of the "frais" and "accessoires" mentioned in the clause upon which the letter relied.

The Porte had been advised that it could not legally be a party to the deduction of anything from the coupons for the payment of the members of the Syndicate; and it was indeed monstrous to suppose that, without being at all consulted, they should be expected to make such a deduction to cover a most extravagant and unnecessary arrangement.

If the Porte was to be obliged to make this deduction from the coupons, it might be called upon to retain 1*s.* or 5*s.* instead of 1*d.*

I endeavoured to induce Server Pasha to divide the question into two parts: for, although the right of the bondholders to insist upon the deduction from the coupons might be open to doubt, and upon that point I would express no opinion whatever, it could not be disputed that they were entitled to the nomination of a Syndicate to see the revenues affected to the loan paid into a separate account.

His Excellency seemed little inclined to give way, although I pressed the case more strongly than I was, perhaps, justified in doing; for I could not but feel that the letter to the Grand Vizier was conceived in an unbecoming tone, and contained arguments with which it was necessary to be careful not to identify Her Majesty's Embassy.

I would, indeed, submit to your Lordship that, since the application of the bondholders has ceased to be simply for the constitution of a Syndicate, but has swelled into a demand for one that is to be paid for by the Porte at a rate to be fixed in England, it is very

questionable whether it will be proper for Her Majesty's Embassy to give them any further support.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure 1 in No. 101.

Messrs. Courtenay, Hansen, and Heald to the Grand Vizier.

Constantinople, le 26 Février, 1872.

Altesse,

LORS de la lettre Vizirielle du 31 Août, 1870, invitant M. l'Ambassadeur de Sa Majesté Britannique de communiquer à la Sublime Porte les noms des trois membres Anglais du Syndicat, choisis par les détenteurs de l'Emprunt Ottoman de 1862, pour "recevoir directement les revenus assignés en garantie de cet emprunt, et de faire les paiements à leur échéance," les détenteurs avaient tout lieu de s'attendre à ce que le Gouvernement Ottoman soit prêt à remplir les engagements formels qu'il avait contracté envers eux, par rapport au fonctionnement régulier et effectif du Syndicat en question. Les détenteurs ne désirant pas soulever la question du paiement des susdits membres par le Gouvernement Ottoman, ont voulu s'imposer le sacrifice de fournir eux-mêmes les fonds nécessaires, et à cet effet ils ont prié le Gouvernement Ottoman de donner des ordres à la Banque Impériale Ottomane de prélever la somme d'un penny (environ 20 paras) par livre sterling, sur tout coupon et obligation amortis.

Le Gouvernement Ottoman a parfaitement reconnu le droit des détenteurs à un Syndicat; cependant depuis le 20 Mai dernier, quand la présentation officielle des trois membres en question à Son Altesse le Grand Vizir a eu lieu, le Gouvernement Ottoman, malgré des promesses réitérées, a su ajourner par un motif ou autre le fonctionnement du Syndicat. En outre il a empêché par des instructions que la Banque Ottomane affirme avoir reçu de la Sublime Porte, le prélèvement de la somme nécessaire pour pourvoir aux frais du Syndicat, en ordonnant l'insertion sur le bordereau des coupons en lettres rouges, "Ce paiement est facultatif."

Cette mesure a occasionné jusqu'à ce jour une perte d'environ 2,400 livres au Comité représentant les détenteurs. Si le Gouvernement Ottoman avait rempli ses engagements envers les détenteurs en faisant fonctionner le Syndicat, en toute probabilité le Comité aurait pris ses arrangements pour fournir les fonds nécessaires; mais vu les retards continuels et l'opposition tacite que le Gouvernement a montré au sujet du Syndicat, le Comité a changé d'avis et nous a chargé de réclamer du Gouvernement Ottoman le paiement des dommages résultant des instructions ci-haut mentionnées.

Le déficit s'élève à environ 2,400 livres, savoir, 1,130 livres à l'occasion du paiement du coupon échu le 1 Juillet, 1871, et 1,270 livres à l'occasion du paiement échu le 1 Janvier, 1872.

Le total des contributions d'un penny aurait dû s'élever à environ 2,660 livres par an, tandis que le Comité n'a pu prélever qu'environ 260 livres. Cette réclamation du Comité est basée sur le paragraphe au contrat de l'emprunt, lequel est ainsi conçu:—

"La Commission ainsi composée aura une caisse destinée à recevoir les fonds nécessaires pour le paiement en intérêts et amortissement du dit emprunt, et tous les revenus spécialement assignés au paiement en intérêts et amortissements du dit emprunt seront payés aussitôt leur rentrée; chaque année, à cette Commission, jusqu'à ce que dans chaque année la Commission ait reçu une somme suffisante pour pourvoir au paiement des intérêts et amortissement du dit emprunt, de tout ce qui devra être payé et amorti dans cette année, ainsi que des frais y nécessaires."

Ces mots "frais y nécessaires" dénotent clairement que le Gouvernement Ottoman est tenu à payer les frais du Syndicat.

Ainsi qu'il est dit plus haut, si le Gouvernement Ottoman avait montré la moindre disposition réelle à se conformer aux vœux des détenteurs, le Comité représentant les derniers n'aurait peut-être jamais formulé cette réclamation.

D'un autre côté nous sommes aussi chargés d'insister formellement auprès du Gouvernement Ottoman sur la mise en exécution des stipulations du contrat, c'est-à-dire, de mettre le Syndicat, sans autres retards, en état de fonctionnement; et comme deux mois du sémestre actuel se sont presqu'écoulés, de donner des instructions à la Banque Ottomane de verser au moins 200,000 livres dans la caisse séparée du Syndicat; cette somme étant à peu près la proportion de l'encaissement nécessaire au paiement des intérêts et amortissements pour les deux mois en question.

Nous regrettons infiniment, Altesse, que la Sublime Porte n'a pas voulu apprécier les

avantages et pour le Gouvernement et pour les détenteurs qui auraient résulté déjà au fonctionnement régulier du Syndicat. Nous avons fait ressortir ces avantages dans l'extrait résumé de nos instructions et dans les nombreuses communications que nous avons adressées de temps en temps à la Sublime Porte et au Malich. Cependant le Gouvernement Ottoman, au contraire aux habitudes des autres Gouvernements Européens, n'a pas daigné répondre à ces communications. Nous espérons que votre Altesse voudra bien se faire soumettre ces documents, et de les faire examiner afin de nous envoyer sous peu une réponse catégorique aux demandes bien fondées des détenteurs.

Nous avons, &c.
(Signé) W. COURTENAY.
C. HANSON.
B. HEALD.

Inclosure 2 in No. 101.

Server Pasha to Sir H. Elliot.

Sublime Porte, le 11 Juillet, 1872.

M. l'Ambassadeur,

J'AI reçu la note que votre Excellence a bien voulu m'adresser le 4 Juin, relativement au Syndicat des Emprunts 1858 et 1862.

En réponse, j'ai l'honneur de lui transmettre ci-joint, pour son information, copie du télégramme que je viens d'adresser à ce sujet à l'Ambassade Impériale à Londres. Votre Excellence voudra bien relever dans cette pièce les raisons fondées qui autorisent le Gouvernement Impérial à considérer toujours la formation de ce Syndicat comme inutile.

Je ne doute pas que votre Excellence ne veuille, dans ses sentiments d'équité, apprecier ces raisons à leur juste valeur, et la prie, &c.

(Signé) SERVER.

Inclosure 3 in No. 101.

Server Pasha to Musurus Pasha.

(Télégraphique.)

NOUS ne croyons pas nécessaire de revenir sur l'inutilité du Syndicat des Emprunts de 1858 et 1862, la Banque Impériale Ottomane offrant, depuis de longues années des garanties matérielles et réelles, soit par l'encaissement et l'acquittement ponctuels des intérêts et de l'amortissement de ces emprunts, soit par le règlement et la publication régulière des comptes y relatifs.

Acquittant ponctuellement nos dettes, nous ne saurions admettre qu'on ait pu penser que l'idée nous soit venue de nous soustraire à nos engagements.

Le prélèvement pour le Syndicat d'une rémunération par livre sur les coupons d'intérêt et les titres amortis est une mesure dont les conséquences suffiraient pour établir que le trésor non-seulement ne peut proposer aux porteurs d'acquitter une pareille taxe, mais qu'encore lui-même est en droit de se considérer à l'abri d'une proposition semblable.

Le cas échéant, votre Excellence aura à se prononcer dans ce sens auprès de qui de droit.

No. 102.

Earl Granville to Sir H. Elliot.

(No. 25.)

Foreign Office, June 8, 1872.

Sir,

I HAVE received your Excellency's despatch No. 21 of the 25th ultimo, reporting to me a conversation you had with Server Pasha on the subject of the Syndicate for the Loan of 1862; and I have to state to you that I concur with your Excellency in considering it undesirable that Her Majesty's Embassy should interfere in the question of the payment of the members of the Syndicate.

I am, &c.
(Signed) GRANVILLE.

No. 103.

Sir H. Elliot to Earl Granville.—(Received July 6.)

(No. 62.) *Therapia, June 23, 1872.*

My Lord,

WITH reference to my despatch No. 21 of the 25th ultimo, I have the honour now to inclose a copy of the reply of the Grand Vizier to the letter of Messrs. Courtenay, Hanson, and Heald, upon the subject of the Syndicate of the bondholders of the Loan of 1862.

This letter implies not only that the Porte is not authorized to render obligatory the deduction of a penny in the pound upon the coupons, but that the clause of the contract relative to the formation of a Syndicate having been abandoned by both parties, the Government cannot now consent, without necessity, to revive it.

I have pointed out to Server Pasha that, if the above signification is to be placed upon the letter, it would be impossible for me to let it pass, for, in 1870, by two official notes to Her Majesty's Embassy the Sublime Porte accepted the Syndicate and invited Her Majesty's Government to send the names of the British members, and the engagement thus taken could not now be repudiated.

I inclose the copy of a note which I consequently addressed to his Excellency.

I have, &c.

(Signed) HENRY ELLIOT.

Inclosure 1 in No. 103.

The Grand Vizier to Messrs. Courtenay, Hanson, and Heald.

Sublime Porte, le 29 Mai, 1872.

Messieurs,

J'AI reçu la lettre que vous avez bien voulu m'adresser le 26 Février pour réclamer du Gouvernement Impérial la somme de livres 2,400 environ en qualité de Membres du Syndicat de l'Emprunt de 1862.

Il n'est d'autant plus impossible d'admettre cette demande que le Syndicat dont il s'agit n'est point encore institué.

D'ailleurs le Traité de l'Emprunt ne stipule aucun traitement pour les Membres du Syndicat, et le Gouvernement Impérial n'est point autorisé à rendre obligatoire, pour les détenteurs des titres, le paiement d'un penny par livre sterling qu'on voudrait prélever sur les coupons des intérêts et sur toute obligation amortie.

Venant à la question de la formation du Syndicat, le Gouvernement Impérial ne peut accepter que l'on fasse revivre, sans aucune nécessité, une clause du Traité de l'Emprunt qui a été abandonné de part et d'autre. La Sublime Porte ne doit pas se départir de cette ligne de conduite, attendu qu'elle a toujours rempli ses engagements avec ponctualité, et qu'il lui répugne d'imposer une charge aux détenteurs des titres pour l'entretien d'un Syndicat.

Agréez, &c.

Inclosure 2 in No. 103.

Sir H. Elliot to Server Pasha.

Therapia, June 4, 1872.

Sir,

A LETTER from the Grand Vizier, in reply to one from the British members of the Syndicate of bondholders of the Loan of 1862 has been communicated to me, and, the meaning of it not being altogether clear, your Excellency will allow me to ask for some explanation.

This letter is in answer to one by which the three British members of the Syndicate stated that the Sublime Porte, not having made the deduction of 1*d.* in the 1*l.* upon the coupons would itself be held liable for their salaries and expenses; and his Highness the Grand Vizier, after saying that the Imperial Government would not be justified in making any such deduction obligatory, concludes by declaring that the Porte cannot impose upon the bondholders any charge for the purpose of maintaining a Syndicate.

If his Highness' letter had contained nothing more than this, I should not have thought it necessary to make any observation upon it, for the question of the mode of

remuneration of the members of the Syndicate is one upon which I have always avoided pronouncing an opinion.

There are, however, in the letter other expressions which may be liable to be misunderstood if not accompanied by a proper explanation, and which might even be taken to imply that the Sublime Porte refused altogether to consent to the formation of such a Syndicate.

It will not have escaped your Excellency's recollection that the Sublime Porte concurred in the formation of the Syndicate by official notes addressed to Her Majesty's Embassy on the 18th May and 13th August, 1870, and that Aali Pasha, in notifying the nomination of the Turkish members of the Syndicate, requested that Her Majesty's Government would make known to them the names of the British members, which was subsequently done.

I presume therefore that, notwithstanding the doubtful terms of the Grand Vizier's present letter, I shall be justified in assuring Her Majesty's Government that all that the Sublime Porte refuses to do is to give its consent to a Syndicate, the members of which are to be paid either by the Imperial Government or by deduction from the coupons, but that, in other respects, it has no intention of receding from the engagement officially made to Her Majesty's Government in 1870.

I have, &c.

(Signed) HENRY ELLIOT.

No. 104.

Mr. Clarke to Earl Granville.—(Received July 19.)

115, *Palmerston Buildings, London, July 18, 1872.*

My Lord,

I HAVE the honour to request that your Lordship will do the Council the kindness to recommend to the good offices of Her Majesty's Ambassador at Constantinople, Mr. Simon Stab, who has been appointed acting-agent of the bondholders at Constantinople.

Captain Stab, a Hungarian by birth, during his exile, entered the Turkish military service. During the Crimean War he served first with the Commissariat on the Danube, and afterwards as first-class interpreter on the head-quarters staff during the Crimean campaign. Having given great satisfaction to his chiefs, Earl Russell gave him an English passport, and he was employed on the American Boundary Commission under Lieutenant-Colonel Gordon, and afterwards on the Montenegro Commission. On all occasions he conducted himself to the full contentment of his superiors, as I can attest that he has done since he left Her Majesty's service.

I have, &c.

(Signed) HYDE CLARKE, *Secretary.*

No. 105.

Mr. Hammond to Mr. Clarke.

Foreign Office, July 22, 1872.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 18th instant, stating that the Council of Foreign Bondholders have appointed Mr. Stab as acting-agent of the bondholders at Constantinople, and requesting that Her Majesty's Ambassador in Turkey may be instructed to use his good offices on his behalf; and I am to state to you, in reply, that Lord Granville has instructed Sir Henry Elliot to afford Mr. Stab such assistance in the discharging of his duties as he may stand in need of and which his Excellency can properly extend to him.

I am, &c.

(Signed) E. HAMMOND.

No. 106.

Sir H. Elliot to Earl Granville.—(Received July 23.)

(No. 87.) *Therapia, July 13, 1872.*

My Lord,

I HAVE the honour to forward to your Lordship a copy of the answer I have received from the Porte to my note of the 4th ultimo, of which a copy was inclosed in my despatch No. 62 of the 23rd ultimo respecting the Syndicate of the bondholders of the Loan of 1862.

This communication, although far from being as explicit as could have been wished, only asserts the want of all necessity for a Syndicate, and declares that the Porte cannot provide for the remuneration of the members of it, either by a per-centage deducted from the dividends, nor out of the Imperial Treasury.

I have, &c.

(Signed) HENRY ELLIOT.

Inclosure 1 in No. 106.

Server Pasha to Sir H. Elliot.

Sublime Porte, le 11 Juillet, 1872.

M. l'Ambassadeur,

J'AI reçu la note que votre Excellence a bien voulu m'adresser le 4 Juin, relativement au Syndicat des Emprunts 1858 et 1862.

En réponse, j'ai l'honneur de lui transmettre, ci-joint, pour son information, copie du télégramme que je viens d'adresser à ce sujet à l'Ambassade Impériale à Londres. Votre Excellence voudra bien relever dans cette pièce les raisons fondées qui autorisent le Gouvernement Impérial à considérer toujours la formation de ce Syndicat comme inutile.

Je ne doute pas que votre Excellence ne veuille, dans ses sentiments d'équité, apprécier ces raisons à leur juste valeur, et la prie d'agréer, &c.

(Signé) SERVER.

Inclosure 2 in No. 106.

Server Pasha to Musurus Pasha.

(Télégraphique.)

NOUS ne croyons pas nécessaire de revenir sur l'inutilité du Syndicat des Emprunts de 1858 et 1862, la Banque Impériale Ottomane offrant, depuis de longues années, des garanties matérielles et réelles, soit par l'encaissement et l'acquittement ponctuels des intérêts et de l'amortissement de ces emprunts, soit par le règlement et la publication régulière des comptes y relatifs.

Acquittant ponctuellement nos dettes, nous ne saurions admettre qu'on nit pu penser que l'idée nous soit venue de nous soustraire à nos engagements.

Le prélèvement pour le Syndicat d'une rémunération par livre, sur les coupons d'intérêt et les titres amortis, est une mesure dont les conséquences suffiraient pour établir que le Trésor non-seulement ne peut proposer aux porteurs d'acquitter une pareille taxe, mais qu'encore lui-même est en droit de se considérer à l'abri d'une proposition semblable.

Le cas échéant, votre Excellence aura à se prononcer dans ce sens auprès de qui de droit.

No. 107.

Mr. Clarke to Earl Granville.—(Received July 25.)

115, Palmerston Buildings, London, July 24, 1872.

My Lord,

I HAVE the honour to acknowledge the receipt of your Lordship's letter of the 22nd instant, informing the Council of Foreign Bondholders that your Lordship had instructed Sir Henry Elliot, Her Majesty's Ambassador at Constantinople, to afford Mr. Stab such assistance in the discharge of his duties as he may stand in need of, and which his Excellency can properly extend to him; and I am instructed to offer your Lordship the thanks of the Council for the promptness with which you have complied with their request.

I have, &c.

(Signed) HYDE CLARKE, *Secretary.*

No. 108.

Mr. Franklin to Earl Granville.—(Received August 9.)

London Institution, Finsbury Circus, August 8, 1872.

My Lord,

THE publication by the Council of Foreign Bondholders of correspondence on the subject of this loan, notifies that the Government of the Porte persists in violating the fundamental conditions under which this loan was subscribed; and, inasmuch that the intervention of the Council of Foreign Bondholders, invoked for nomination of an efficient Syndicate, has encountered obstruction from the Turkish Government and its agents, I am instructed to resume communication with your Lordship on behalf of the bondholders from the point at which it was intermitted in October 1870.

We do not find ourselves advanced in effect beyond the position described in my letter to Earl Clarendon, dated 20th June, 1866. Since then, bondholders of other Turkish loans have enlisted the championship of the Council above referred to, and it seems opportune to remind your Lordship of our especial claim to the protection of Her Majesty's Government. It has been confessed that funds due to us have been habitually diverted into other channels, and that the Imperial Ottoman Bank denies our lien upon those funds, notwithstanding that Lord Hobart and Mr. Foster (detailed from Her Majesty's Service for the service of the loan) have been successively placed at the head of that bank. Moreover, Mr. Rumbold's report just issued discloses that the tobacco revenues have been altered in form and misappropriated in substance as security for temporary loans.

Respectfully claiming attention to these grave matters, I have, &c.

(Signed) J. A. FRANKLIN.

PUBLIC RECORD OFFICE, LONDON

No. 109.

Mr. Hammond to Mr. Franklin.

Foreign Office, August 21, 1872.

Sir,

WITH reference to your letter of the 8th instant, in which you state that you are instructed on behalf of the bondholders of the Anglo-Turkish Loan of 1862 to remind Earl Granville of their especial claim to the protection of Her Majesty's Government, and to call his Lordship's attention to different acts of the Turkish Government to the detriment of the interests of those gentlemen, I am directed by his Lordship to state to you, for their information, that the claims of the bondholders to the appointment of a Syndicate has been, on various occasions, the subject of unofficial representations to the Porte on the part of Her Majesty's Ambassador at Constantinople, and that his Lordship has now instructed Sir H. Elliot to report whether any progress has been made in bringing about an amicable settlement of the points in dispute.

I am, &c.
(Signed) E. HAMMOND.

No. 110.

Earl Granville to Sir H. Elliot.

(No. 102.)

Foreign Office, August 22, 1872.

Sir,

WITH reference to previous correspondence on the subject of the claims of the bondholders of the Anglo-Turkish Loan of 1862 against the Porte, I have to request your Excellency to inform me whether any progress towards the settlement of the points in dispute has been made since the date of your last despatch on the subject No. 87 of the 13th ultimo.

I am, &c.
(Signed) GRANVILLE.

No. 111.

Mr. Franklin to Earl Granville.—(Received September 9.)

London, September 8, 1872.

My Lord,

WITH reference to your Lordship's intimation, dated 21st August, that Sir H. Elliot has now been instructed to report upon different acts of the Turkish Government, to the detriment of the interest of the bondholders, occasion has arisen to call his attention to a most extraordinary revelation just made by authority of his Excellency Musurus Pasha, through the Imperial Ottoman Bank.

It seems to be pretended that the obligations set forth upon our bonds in respect of Receivership, Separate Accounts, Syndicate, &c., have virtually been cancelled by the Turkish Government, and by the Imperial Ottoman Bank, its agents; the Bank assuming to be empowered so to surrender the bondholders' rights in virtue of a reservation (see copy annexed), not found either in the original Firman or in the Contract set forth upon our bonds, and of course not in the prospectus whereby we were induced to subscribe.

The contractors for a new Loan for Turkey (having already provided the funds) are seeking from the Committee of the Stock Exchange the formal recognition of their bonds which can render them realeable. That Committee has been duly served with a copy of your Lordship's last intimation that the different acts of the Turkish Government in violation of its contract with us, are to be reported upon by Her Majesty's Ambassador at Constantinople.

It is not doubted that the Committee will adjourn consideration of the subject until the Ambassador's report shall have been received, notwithstanding that the adjournment might affect the personal interests of some with whom the decision rests. In these circumstances, I respectfully solicit, for communication to all concerned, the report which is waited for, at the earliest moment, which will permit inclusion therein of the all-important matter above referred to.

I have, &c.
(Signed) J. A. FRANKLIN.

Inclosure in No. 111.

Reservation.

LES dispositions relatives à cette transmission de fonds à la sécurité de leur dépôt, comme à leur emploie, pourront être modifiés pendant toute la durée de l'Emprunt par le Commissaire du dit Emprunt, d'accord avec les banquiers, toutes les fois qu'ils le jugeront utile au bon service du Gouvernement de Sa Majesté Impériale et à l'exécution fidèle des conditions de la présente Convention.

No. 112.

Mr. Franklin to Earl Granville.—(Received September 13.)

London Institution, September 12, 1872.

My Lord,

MR. J. A. FRANKLIN has the honour to inclose, for information of Lord Granville, with duplicates for transmission to Sir Henry Elliot, copies of the pretensions of the Imperial Ottoman Bank to nullify the results of the action taken by Her Majesty's Government for vindication of the bondholders' rights, also copies of remarks published thereon by the Council of Foreign Bondholders.

I have, &c.

(Signed) J. A. FRANKLIN.

Inclosure in No. 112.

TURKISH LOANS OF 1862, 1858, &c.

Remarks on a Letter from the Imperial Ottoman Bank to Messrs. Raphael and Sons, dated 2nd September, 1872, and which discloses a Secret Clause annulling the rights of the holders of 1862 Bonds under their Bonds.

IT is necessary, in the first place, to say that this document has been only recently disclosed, that there has not been time to obtain legal or other opinions with regard to its bearings, and to test the assertions in it, which are generally opposed to the facts heretofore known, and which do not in all cases conform to the evidence of established facts.

It purports to be drawn up at the request of the Turkish Ambassador; but the responsibility of the acts therein disclosed cannot be confined to the Ambassador or Government, but particularly and principally affects the Imperial Ottoman Bank as contractors and bankers for the 1862 Loan, representing the Ottoman Bank and Messrs. C. Devaux and Sons, the contractors. The circumstances are all within the cognizance of the Imperial Ottoman Bank.

With regard to the history of the Syndicate of the 1858 Loan there recited, the statements as to the Syndicate conflict with everything before known and stated, and do not afford an explanation of the non-execution of the Syndicate, or any apology for it.

The fact that the Customs and octroi of Constantinople were farmed in 1858, so far from being a reason against the Syndicate, is a reason for it. It is stated that, under the farming, the Government had to give three months' credit to the merchants, and on the abolition of the farming received the dues in cash. Consequently, it has from that time been in a position to provide for any alleged loss of interest and the instalments to be set aside for the separate "caisse" or account by means of this three months' earlier receipt of revenue.

Had the receipts gone in due course to the Syndicate, the Government could not have alleged any loss of interest.

It has always been allowed that the Syndicate of 1858 broke down because its members were not paid for their trouble, and this is why the Directors of the Imperial Ottoman Bank concurred in the payment of the 1862 Syndicate in January 1871.

The 1858 Syndicate has always been looked upon as practicable, and, as such, its function has been demanded by Messrs. Dent, Palmer, and Co., the contractors for the loan.

It therefore appears the Imperial Ottoman Bank have taken upon themselves to alter the securities and arrangements for this 1858 Loan without the authority of its contractors.

This being the case, the account of the origin of the 1862 Syndicate and of the secret or surreptitious clause requires confirmation.

The 1858 Syndicate being in existence, and supposed to afford a security to the holders, the Government and contractors provided a Syndicate for the 1862 Loan, appointed it, and set it in operation, according to this document.

About this first Syndicate nothing is publicly known, nor at any time after, when the bondholders demanded a Syndicate, was its existence disclosed or assigned in answer.

We are now asked to believe that, notwithstanding the Syndicate and other securities were so provided in the Prospectus, Firman, and Bond, there was a deliberate and secret intention on the part of the Government and Bank to do away with them, and that they made provision accordingly.

It is not necessary to go into detail to prove that the bondholders never had cognizance of this secret compact; for the whole volume of correspondence for reference, published by the Council of Foreign Bondholders, shows that there was no question except of the stipulations in the bond, and that this secret clause was never brought out against them, or in any way disclosed. They will have to learn of its existence after the sitting of the Committee of the Stock Exchange of the 10th September, as its communication, even to the Committee of 1862 Bondholders, was made private, with a veto on its publication.

The clause itself, it will be observed, is to be construed and applied "for the good service of the Government of His Imperial Majesty, and for the faithful execution of the conditions of the present Convention." It may have been applied for the good service of the Government of His Imperial Majesty, but it certainly has not been applied for the faithful execution of the conditions of the bond, but it may have been quite in conformity with "the conditions of the present Convention."

Whether the "Convention" contains other clauses for reducing the sinking fund or interest remains to be seen. It is to be hoped not.

Who were the authors of this clause, or who were the promoters of its concealment, does not appear; but at all events the Imperial Ottoman Bank, holding so distinct a trust for the bondholders were bound to disclose it; at all events, when they applied it in modification, and on every occasion when bondholders applied for application of the conditions of their bond, its existence was, however, sedulously concealed.

[Notwithstanding these acts, the Bank (Correspondence, page 37) deny, in their letter of the 6th of July, 1867, to Messrs. Field, Wood, and Haynes, "that the function of this Bank is that of trustee or bailee of funds assigned to the 1862 Loan." The disclosure of the clause would have enabled Messrs. Field to set aside this assertion.]

According to the document it does not appear that the Syndicate for the 1862 Loan was duly constituted, and set in action. We have not the names of the Turkish or English members, or any statement of their meetings. In 1863 they did not act, as the service of the loan was provided for by the contract.

In 1864, so far from the Syndicate receiving the tobacco, salt, stamps, and patents, they did not do so, but allowed the Government to discharge the service from the proceeds of a Loan of 1864.

This is what is styled "the Syndics found their functions very simple," for, so far as it can be understood, it was the inauguration, under the auspices of the Imperial Ottoman Bank, of a system under which the Government was allowed to deal as it pleased with the assigned revenues, and to pay the dividends out of a much less acceptable fund—borrowed money.

These very simple functions have naturally been performed this year with regard to the last dividend of the 1862 Loan, due on the 1st of July; for, with the full co-operation of the Bank, the Minister of Finance, according to his own statement, paid the coupon, &c., out of the 1872 Loan, now under consideration (Correspondence, page 99).

[This fact must be again referred to.]

In 1865, the separate account is alleged to have been put in action, and to have worked well for the first half-year.

In the latter half-year, the assigned revenues being insufficient, the Bank allowed the Government to abolish the separate account without remonstrance, on the ground that the revenues were insufficient.

Thus the special assigned revenues being for once insufficient, and the deficiency under the Bond having to be made up from general revenues of the Empire, the Bank informed us they allowed the Government to abolish the special assignment security altogether, and leave no other security for the Loan than the general revenues—a most strange and illogical arrangement.

If anything could prove the necessity and value of the special assignment, it was that in the latter half of 1865 this assignment was insufficient.

[At all events, there is no insufficiency now, and no reason against the restoration of the assignment, of the separate account, and of the Syndicate.]

This strange averment is attended with the strange attendant circumstance, that the revenues paid in being smaller than usual, the loss of interest became larger; the common idea among men of business being that the smaller the principal sum the less will be the charge for interest.

We are not told that the 1858 special assignment securities have proved insufficient; but on the ground that those of 1862 had so proved, 1858, 1862, &c., are put into hotchpotch in a scheme under which they were made to share the risks of all the unsecured creditors.

This was a publication of a simple statement of account, in this case called "a law" of 1866, which proposed to set aside certain revenues for all the loans.

This the secured creditors are still called upon to accept as satisfaction.

The said "law" is elastic, as every year fresh loans are brought in for participation in its benefits, successively diminishing the value of the share of the specially secured creditors.

It is sufficient to note that, among other examples of default—

It failed to produce enough for the 1858 dividend, March 1, 1871 (Corr. p. 116).

It failed to provide for the July 1, 1872, dividend of the 1862 loan, as already stated (p. 99).

It is therefore inoperative as a security, and its publication, as reported by Her Majesty's Secretary of Embassy, was suspended.

This "law" has therefore been suspended by some one without law, whether the Minister of Finance or Bank, *proprio motu*, and affords no constitutional guarantee even for Turkish subjects, much less for English holders of external stocks.

The Bank seem very much surprised that there should have been people who consider the disregard of contracts and abolition of securities stipulated "as a breach of faith by the Turkish Government;" but such people are very certain to be confirmed in their opinion by the document tendered, and by its being put forward by the Bank that, in the "modification" of such securities under a secret compact the Government "was clearly exercising a right."

This extraordinary proposition is accompanied by another, that the "separate caisse," or account might have been converted into a delusion and a farce by the Government taking away the funds from the Bank, and, "for its own security," lodging them in the Treasury, whereas the Bank say "there would have been no real security whatever that the money would be forthcoming when required in hard cash." This further breach of faith implies, moreover, that the Turkish Government has more confidence in its own cash-box than in the Imperial Ottoman Bank, though the Bank regard this cash-box as affording no real security.

If the purpose of this document had been to do as much discredit as possible to the Turkish Government it could scarcely have been made more effective.

The Bank, however, benevolently supervises the Government, and if the funds in the "law" or statement, published or unpublished, are falling short, "it is, in fact, constituted a sort of general Syndicate" "to make the necessary representations to the Minister of Finance." How far this General Syndicate is any protection to the bondholders secured or unsecured may be seen by the cases of default cited.

From the document it is learned that the Bank has lately let the 1862 bondholders know what amount of their tobacco and salt duties were encashed from time to time, this law or statement having been so framed that the 1858 and 1862 bondholders could not make out what revenues accrued to them, as these were lumped. It is an apt comment on the statement that it has been declared impossible at Constantinople to ascertain what amounts are received from tobacco and salt.

Should any further information be required by the Committee of the Stock Exchange, it is announced that "his Excellency the Ambassador has desired [the Bank] to supply it."

Upon the legal bearing of this secret clause and contract it is not necessary to make many observations.

The only contract binding on the bondholders is that made in the bonds delivered to them. This is a simple and practical fact.

The promulgation of this secret clause only affects the parties engaged in framing it concealing it, and now producing it for their own purposes, and that in respect to the moral consequences.

It must naturally excite suspicion and invite investigation that a Government that, up to this time, has enjoyed such confidence, credit, and regard as that of Turkey, and a bank so highly placed as the Imperial Ottoman Bank, should be concerned in such transactions; but the avowal is under their own hands, and of their own free will.

If such practices were to be allowed, no foreign bond would be secure, and no one would be assured of his own savings, or of his provision for wife and children. At any time a secret clause might be brought forward to render a bond invalid.

Nothing remains but for the Committee of the Stock Exchange to accept the document tendered to them, and to institute an immediate investigation into the alleged contract and into all contracts in which the parties have been concerned.

10th September, 1872.

No. 113.

Mr. Hammond to Mr. Franklin.

Foreign Office, September 13, 1872.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 8th instant, requesting to be supplied with a copy of the report which Her Majesty's Ambassador at Constantinople has been called upon to furnish, with reference to the different acts of the Turkish Government, in violation of its contract with the bondholders of the Anglo-Turkish Loan of 1862; and I am to point out to you that you would seem to have misapprehended the terms of his Lordship's dispatch to Sir H. Elliot, which, as I informed you, merely instructed his Excellency to report whether any progress had been made in bringing about an amicable settlement of the points in dispute, and I am to add that Lord Granville cannot promise to communicate the report in question to you before its contents are known.

I am, &c.

(Signed) E. HAMMOND.

No. 114.

Mr. Franklin to Earl Granville.—(Received September 17.)

London Institution, Finsbury Circus, September 16, 1872.

My Lord,

I HAVE the honour to acknowledge Mr. Hammond's letter, dated 13th instant, in which he explains that your Lordship cannot promise to communicate for information of all concerned, before its contents are known, the Report which a despatch of your Lordship has instructed Her Majesty's Ambassador at Constantinople to furnish, with reference to the different acts of the Turkish Government, in violation of its contract with the bondholders of the Anglo-Turkish Loan of 1862.

Seeing that the Committee of the Stock Exchange had been, through me, asked to adjourn proceedings, which must evoke a declaration by that body, to the effect above quoted, my appeal for such adjournment will be withdrawn. This, the more necessarily, because that Committee have already overruled objections to their interposition, accepted *prima facie* evidence of the violations of contract, and called upon the Imperial Ottoman Bank to justify its pretensions, while agent of the defaulting Government, if not instrument of that default for advantage of the Bank—to have cancelled the original rights of the bondholders, and to have rendered nugatory the more recent engagements undertaken by the Porte at the instance of Her Majesty's Government.

That Sir Henry Elliot is asked to report whether any progress has been made in bringing about an amicable settlement, can be simply a matter of form; in presence of the patent fact that there never has been vested in any body, at any time, authority to accept less than substantial fulfilment of the engagements above referred to, and necessarily including—

1. Receivership of the assigned revenues, at the earliest stage, so as to prevent misappropriation, whether by the Government directly, in mode referred to as possible in a public letter of its own agent, the State Bank, dated 2nd September instant; or else by that Bank, either as creditor of the Government, as interested for third parties, or otherwise. *Vide* correspondence of the Imperial Ottoman Bank with Messrs. Field, Wood, and Haynes, from 8th May to 6th July inclusive.

2. Control of funds due to the bondholders by trustees of their own appointment, to exclusion of all who have forfeited their confidence.

The pretence of the Imperial Ottoman Bank, to have cancelled original engagements of the Porte, by virtue of a secret clause in a contract with that Bank, would in any circumstances be untenable, seeing that Messrs. Charles Devaux and Co., joint contractors

with the Bank, have not avowed themselves consenting parties. That firm, a continuing one, has never ceased to exercise authority and privilege under the original contract, as witness notarial attestation of the fact, advertised from half-year to half-year down to May last. Moreover, I have had occasion to remind Messrs. C. Devaux and Co., at sundry times, of their responsibilities to the bondholders. *Vide* published letters, including my last, dated 12th October, 1870, in reply to a letter of Mr. Sawer, a member of that firm, dated October 6, 1870.

Your Lordship is prayed to observe that the surrender of the bondholders' rights, pretended to have been effected covertly at some unavowed date, probably 1866, must nevertheless have been revoked by later pledges given by the Porte, confirmatory of and supplemental to the original engagements;—pledges obtained by your Lordship, and by your Lordship's predecessors in office, and announced to me on behalf of the bondholders, as principals in communication with principals in Constantinople; Her Majesty's Government intervening in supersession of all other agency incompatible and dis-serviceable. *Vide* those pledges and the admissions leading thereto, as communicated through the Foreign Office to me, since the date above referred to, and brought to a practical point in September 1870.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 115.

Mr. Franklin to Earl Granville.—(Received September 19.)

My Lord, *London Institution, Finsbury Circus, September 19, 1872.*

I HAVE received from the Council of Foreign Bondholders the documents named in the margin,* and I hasten to inclose them, in duplicate, in order that copies may be in the hands of Her Majesty's Ambassador to the Porte, in rebuttal of any pretensions inconsistent therewith, as soon as possible.

The bondholders for whom I act include original and direct subscribers to the loan, who are willing to produce their bonds when required, and, meanwhile, to identify them in schedules, and by way of protest, which I now make on their behalf, against the so-called compromise proposed through his Excellency Musurus Pasha and the Bankers of the Imperial Ottoman Government.

We are advised that the vote passed yesterday in committee of the Stock Exchange was one of routine, under exigency of the position of that body, and that it does no more than withhold from "dealers" a plea for evasion of "bargains," unless proved to be tainted with fraud. The vote is construed to refuse recognition of the new bonds as instruments which could intercept moneys due to us, and to register evidence of default under the contract with us, as confessed by an accredited agent of his Excellency Musurus Pasha.

I have, &c.
(Signed) J. A. FRANKLIN.

Inclosure in No. 115.

Memorandum by Mr. Franklin.

IN capacity of Consulting Actuary and Accountant to the Council of Foreign Bondholders, I shall be prepared to certify to the following effect:—

While it is naturally within the power of any bondholder acting for himself alone to exonerate (say, by endorsement upon his bond) a contracting Government from obligations set forth in such bond, no such power can be exercised by him, whether in that or in any other manner, to vary or effect the claims of any other bondholder, active or passive, singly or collectively.

Even should agents of a defaulting Government obtain, for a consideration, control of any number of its bonds, short of the whole, during one or more half-monthly market periods, no manipulation of those bonds could affect other than their owners.

Every non-consenting owner is in a position at least as strong as the endorsee of a bill of exchange "for value received," and no meeting of creditors, whether convened by agents of the acceptors or otherwise, can (except in case of bankruptcy or the like) obstruct the right of any such endorsee to sue and recover or to enforce engagements incident thereto.

In the case of Anglo-Turkish Bonds of 1862, the additional obligations for receivership, safe custody, and due application of assigned revenues, as a first charge, must necessarily be put forthwith in force and maintained, without pretence of delay for reference to the bondholders for condonation of breaches of contract proved in evidence, and confessed by agents of the Porte, before the Stock Exchange.

(Signed) J. A. FRANKLIN.

London, September 19, 1872.

No. 116.

Mr. Hammond to Mr. Franklin.

Foreign Office, September 20, 1872.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 16th instant, respecting the affairs of the bondholders of the Ottoman Loan of 1862.

I am, &c.
(Signed) E. HAMMOND.

No. 117.

Mr. Clarke to Earl Granville.—(Received September 20.)

My Lord, *115, Palmerston Buildings, London, September 20, 1872.*

THE Committee of the Turkish Bondholders of 1862 have laid their case before the Committee of the Stock Exchange, which have adjourned the quotation of the new loan of 1872 until satisfaction has been made by the Turkish Government to the holders of the 1858 and 1862 loans.

The Committee understand that his Excellency Musurus Pasha left for Constantinople on the morning of the 18th, and, as it is presumed, on his arrival there, the Turkish Ministers will consult with his Excellency Sir Henry Elliot, the Committee consider it desirable his Excellency should be put in possession of the facts of the case and of the sentiments of the Committee.

I have, therefore, the honour to forward a memorandum of what took place before the Committee of the Stock Exchange, including the letter of Musurus Pasha. For convenience this is sent in a printed draft, but which is as yet only partially corrected.

There is this cardinal objection, in the opinion of the Committee, to the propositions of the Ottoman Government, that, whereas the 1862 Loan is an external loan, and, as such, held to be a contract, it would, by being subject to the "Law of 1866," become subject to Turkish jurisdiction, and thereby become an internal loan.

Not only would it cease to be a secured loan, but it would cease to be a secured external loan, and become an internal loan, subject to all the changes of Turkish jurisdiction and all the vicissitudes of Turkish finance.

With regard to the proposal to take the opinion of the bondholders on such a proposal, it is to be observed that two meetings duly convened have required the fulfilment of the conditions, and that the members of the Syndicate have been appointed by the Imperial Ottoman Bank on the nomination of the Committee.

No practicable result could be obtained by the vote of a meeting (even supposing no objections lay to the mode of convention), because it would not operate as a release of the Government from those who did not assent to what would be an act of bankruptcy by a solvent Government.

The loss to the holders on the market price of their stock would be very great, and for that no compensation is offered or provided.

The Committee have already received a protest, not only against the Government being allowed to continue the evasion of its obligations, but to the employment for such purposes of the Imperial Ottoman Bank, as it is contended that, under the arrangement made by Aali Pasha with Lord Lyons, the nomination and control of the Syndicate have devolved on the bondholders, and not on the Imperial Ottoman Bank, which, since 1862, has not put in force the conditions of the bond.

Under such circumstances, the Committee, acting in concurrence with the Council of Foreign Bondholders, unite with the Committee of 1858 Bondholders in protesting against the letter of his Excellency Musurus Pasha, and in requesting the integral fulfilment of the obligations of the Turkish Government under bond.

As Musurus Pasha has already left, and the mail departs to-day, your Lordship is earnestly requested to put Sir Henry Elliot in immediate possession of the facts.

I have, &c.

(Signed) HYDE CLARKE, *Secretary.*

Inclosure 1 in No. 117.

Mr. Gerstenberg to Mr. Clarke.

Dear Sir, *Schlangenbad, August* 1872.

IT is a subject of regret to me that I should be absent from London at a period when the important question of settlement and quotation of the new Turkish loan will come before the Committee of the Stock Exchange. As the Turkish Government has refused to set to work the Syndicate appointed by Aali Pasha, in accordance with the contract of 1862, and has disregarded the stipulations respecting the special hypothecations of the Loan of 1858, it will be the duty and the function of the Council of Foreign Bondholders to oppose the settlement and quotation of the new loan until a satisfactory arrangement shall have been made, and should it be deemed necessary, I am quite prepared to return to London, in order to plead for that course of proceeding before the Committee.

It strikes me, however, that my personal advocacy will not be requisite, feeling sure that the Committee of the Stock Exchange will readily comply with the request of the Turkish bondholders, and adjourn the order of settlement and quotation until a satisfactory adjustment shall have taken place, as being in accordance with its existing rules and regulations, and with public policy and morality, and in conformity with numerous precedents.

The rules of the Stock Exchange provide that no new loan of a foreign Government shall be admitted, which has not fulfilled its engagements towards British bondholders until satisfactory arrangements be made, and that shares of public companies, contravening the spirit of that rule, shall be liable to expulsion from the official list.

It has been stated that the Turkish Government has punctually paid the interest and sinking fund of her loans. With a few exceptions that is the fact, but the most essential element of a loan is the security hypothecated. A banker or stockbroker will not lend money to an applicant on his promise of a liberal rate of interest and of speedy repayment, without security; but on deposit ample and perfect security he will make advances, allowing the rate of interest and mode of repayment to be settled hereafter. This proves, what is universally known, that the security for a loan is of more vital importance than the rate of interest and mode of repayment. In fact, the Turkish Government received full value in cash for the special securities of the Loans of 1858 and 1862, which becomes quite evident on comparing their prices of issue with the price of the 5 per cent. Turkish Stock, without special security, at those periods.

Let us now consider the consequences of the Committee's either complying with the request of adjournment of settlement and quotation, or of their refusal thereof.

Of the first case we have numerous precedents, such as the Mexican, Spanish, and Austrian loans, which, on similar and other grounds, were opposed by existing bondholders. The effect of the Committee's refusal to grant quotations to new loans of those Governments was a satisfactory adjustment of the pending difficulties. A similar result will be arrived at in the Turkish question; the Government will speedily recognise the necessity of coming to equitable terms, the just demands of the bondholders will be satisfied, the public will feel confidence in the validity of securities which are thus protected and enforced by a competent Tribunal, and the credit of the Turkish Empire will be immensely benefited by a considerable rise in the value of all Turkish stocks. The great banking houses who were charged with the issue of the loans, all pronounce for the fulfilment of general as well as special engagements, but abstain from action as being agents in the matter, and they will be gratified by a solution on the principle of justice, and the Syndicate who are now presumed to be the holders of a large portion of the loan, will be both satisfied and benefited by a settlement, which will enable them profitably to dispose of their stock.

A great service will be rendered by the action of the Committee in the sense indicated to some Bourses on the Continent, which, to their regret, are not quite independent, but whose proceedings are either dictated by Government or influenced by private and local circumstances, over which the members have not sufficient control. Those Bourses look up to the Committee in the London Stock Exchange as a beacon-light of justice, and they expect from their high and independent position, which they justly value and envy, the necessary rectification of an erroneous course into which their own dependent position

might occasionally force them. In one instance the decision of the London Stock Exchange has been adopted beforehand, as that to be followed in the present case.

Finally, all holders of foreign bonds will rejoice at this renewed proof of the existence of a power for the vindication of their rights, whilst the negotiations now pending with a number of defaulting foreign Governments, are likely to be facilitated by the action of the Committee.

Let us now, on the other hand, seriously consider the consequences that would inevitably ensue from the Committee's refusal to adjourn the settlement and quotation, until the difficulties were satisfactorily arranged, and from the granting the same immediately and unconditionally.

The parties who, from selfish motives, have acted upon the false pride and obstinacy of Turkey in this matter would raise a shout of victory. But it would be a shortlived triumph. The Turkish bondholders who, up to that moment, had proceeded with great courtesy and forbearance, ever anxious to improve their own position by not injuring the credit of Turkey, would then declare war in earnest. They would proclaim to the whole world, as an outrage upon common sense, Turkey's offering special securities for the new loan, whilst refusing the fulfilment of her identical engagements with regard to the special securities of her existing loans. Such proceeding the Committee of the Stock Exchange would then have sanctioned. The British Government, which countenanced the Loan of 1862, for several years claimed the active application of the Syndicate according to contract, and at last obtained the consent of the Porte thereto, and received the special request to invite the bondholders to appoint their three Commissioners, which was duly complied with. The point blank refusal to allow the Commissioners to enter upon their duty is an indignity upon our Government. On the introduction of the Loan of 1871, the settlement and quotation were granted under the promise that the Syndicates for the Loans of 1858 and 1862 should be set to work, which engagement never having been carried out, constitutes a breach of faith towards the Committee of the Stock Exchange; and yet the Committee of the Stock Exchange would thus be called upon to sanction what would be an outrage upon common sense, an indignity upon the British Government and a breach of faith against itself.

In such an event, to my mind impossible, the effect upon the credit of Turkey would be disastrous. All restraints being removed, the confidence of the bondholders and the public would be shaken to the very foundation. The arbitrary setting aside of special securities, and then pledging them prospectively for fresh loans having received the countenance of the Stock Exchange, what would there be to prevent Turkey from going on in the same course and withdrawing the special security of the Egyptian tribute assigned to the 1854 and 1871 loans under the preposterous pretence that, having paid interest and sinking fund for so many years with the punctuality of Consols, it is an insult upon the good faith of Turkey to raise a question of special hypothecation! Upon the precedent thus established highly influential banks at Constantinople and Vienna would be anxious to negotiate large loans under immediate advances upon the special security of the Egyptian Tribute to be applied when free, to the new loan; and powerful houses in London and elsewhere would be ready to receive subscriptions as agents, without considering it a special duty in their province to examine into the propriety of the transaction, leaving the responsibility thereof to the decision of the Committee of the Stock Exchange. The holders of all Turkish bonds seeing thus their interests endangered would apply for redress with one united and unceasing voice to the British Government and to public opinion.

The public press has been unanimous in the defence of the bondholders' rights, and has declared their position to be impregnable. When the public were intoxicated by the success of the French Loan, a just tribute for the maintenance of good faith and strict fulfilment of obligations during invasion, war, siege, and civil commotion, the negotiators of the new Turkish Loan believed the public would, without inquiry, accept a new project, but it produced on the contrary a sobering effect. The press, on the issue of the loan, desirous of not injuring the credit of Turkey, and in the expectation of an amicable arrangement alike desired by the bondholders and contractors, refrained from all hostile comment or warning, and maintained an attitude almost passive, yet public opinion pronounced against the loan by likewise passively abstaining from taking part in it. Public opinion would again instinctively pronounce against all Turkish securities, were the last bulwark of protection to be swept away by the unconditional admission of the new loan, and the Turkish Government as well as the Syndicate of the new loan would soon have to rue the decision which they so injudiciously clamoured for. The effect of such decision would be equally injurious to the claims of British bondholders upon the various defaulting foreign Governments, representing an immense amount of property at stake. Seeing that

the bondholders had not sufficient power to prevail upon the Stock Exchange, rigorously to apply their own laws, the Governments would defy and disregard those claims, trusting for the supply of capital to the influence of such financial combinations as had been able to circumvent or evade the enforcement of the existing rules and regulations.

Other Governments who have arranged with British bondholders in fear of the law of the Stock Exchange, would regret having paid any attention to it. Austria would ask Hungary whether it was necessary to bow to that law, when it was such an easy matter to disregard it on the introduction of a new Loan.

Spain declared last October the intention of inflicting an income-tax of 18 per cent. on her creditors, thinking that Austria had done so with impunity. Finding that Austrian securities had been excluded from the London market in consequence of that arbitrary modification of her English contracts, Señor Angulo, the Minister of Finance, abandoned the tax, and his successor paid the coupons in full. What effect would the supposed decision of the Committee of the Stock Exchange in the Turkish question have upon the pending negotiations with the Spanish Government? Never indeed before was the strict observance of the just and recognized rule of the Stock Exchange more imperative than now, when upwards of 500,000,000*l.* of foreign Stocks, negotiated in London, are quoted on the official list, and when cases of default now and then occurring are apt to shake the confidence of the public in the security of all foreign Government Loans. That state of affairs is felt so deeply on the Continent, that the various Bourses are inclined to adopt the English rule of exclusion in cases of default, in order to close all the public markets simultaneously to defaulting States, whilst a certain class of Governments and financiers are anxious, on the other hand, to undermine the salutary action at the fountain-head in order to discredit it altogether, and remove every barrier from the facility of inundating the markets with bonds of all States, irrespective of their observance of previous engagements, and wholly unfettered by rules, contracts, or conditions.

Knowing the intelligence and integrity of the members of the Committee of the Stock Exchange, as well as their sense of responsibility, and their jealousy of the high character and position they occupy, I have not the slightest apprehension that their decision on the present question would be of such a nature as to infringe or weaken the force of that rule, the undeviating application of which has won for them golden opinions from all quarters, and made them the arbiters of the money markets of the world.

With kindest regards, &c.
(Signed) J. GERSTENBERG.

Inclosure 2 in No. 117.

TURKISH LOAN OF 1872.

TURKISH LOANS OF 1858, 1862, 1865, &c.

Memorandum of Proceedings before the Committee of the Stock Exchange, Tuesday, September 10, Tuesday, September 17, and Wednesday, September 18, 1872.

[For convenience of reference and record for the parties concerned, not being Members of the Stock Exchange, this Memorandum has been directed to be drawn up by the Council of Foreign Bondholders, and does not consequently represent the Minutes of the Committee of the Stock Exchange or the views of its Members. It contains that portion of the subject which more immediately interests the representatives of the Bondholders.]

THE Committee being assembled, there appeared, in conformity to notices of opposition, given to the Committee of the Stock Exchange, and notices to appear received from them, the representatives of the following loans:—

Loan of 1858.

The Council of Foreign Bondholders and the Committee of 1858 Bondholders, by Mr. H. A. Withers, Chairman; Mr. J. Selbg, Mr. J. Paterson, Mr. E. H. Lawrence [Sir Daniel Lange, absent, suffering from accident, Mr. Gerstenberg, absent abroad], and the Secretary.

Loan of 1862.

The Council of Foreign Bondholders and the Committee of 1862 Bondholders, by Mr. Edwin H. Lawrence, Chairman; Mr. W. Hepworth Dixon, Rev. W. Hodgson, Mr. Paterson, Mr. W. P. Pickering, and the Secretary.

Mr. Jacob A. Franklin, Mr. John Wood (Mr. Hutchinson and Mr. G. Seymour in attendance if required), appearing in co-operation on behalf of a large section of Bondholders; and for Loans of 1865 Six Per Cent.; 1865 Five Per Cent. Consolidés, and other Turkish Loans.

The Council of Foreign Bondholders, General Beaumont (Mr. Gerstenberg, absent, having sent a letter of explanation, printed and delivered to Members of the Committee of the Stock Exchange), Mr. Hyde Clarke, Secretary, and Mr. Schirges, Secretary.

Three several parties appearing, were then admitted to a *locus standi* before the Committee.

The Secretary of the Council delivered, in various statements, memoranda, printed for the use of the Members, and illustrative of the claims of the several bondholders.

The Chairman called the attention of the Secretary of the Council, to the circumstance that, in 1871, bondholders of 1865 and 1869 had appeared, withdrawn their opposition, and expressed themselves satisfied.

The Secretary said that such were individual bondholders endowed with no representative capacity, and that the Council appeared in such representative capacity.

Settlement.

Mr. Raphael, on behalf of the Contractors to the Loan, claimed an immediate settling as of right, under Rule 55, and also under Rule 58, because the Ottoman Government, not having been declared in default, the parties demanding ajournment of the settlement could have no ground for objection under the Rule, the tenor of which require previous declaration of default by the Committee. If any offence had been committed by the Government, the Government should be punished, and not the Contractors or Subscribers.

Mr. Lionel L. Cohen and Mr. George T. Leon, as well on general grounds of the necessity of maintaining the sanctity of bargains made on the Stock Exchange, as on behalf of large numbers of members of the Stock Exchange, made an application to the Committee to the same effect, independent of the application to contractors of the loan.

A discussion took place, Mr. Lawrence, Mr. Dixon, Mr. Hyde Clarke, and Mr. Paterson contending that the Committee had full prerogative to deal and adjudicate on the question of settlement; that settlement must be taken in connection with quotation; that the incidents of quotations affected the grant of settlement where any immoral acts had been committed; that the Government was recorded in the minutes of the Committee for 1871 as in default; that the Representatives of the bondholders were prepared to prove defaults in the case of the several loans on which the Committee would have to pronounce the Government in default; that the negotiation of the Loan of 1872 was under political consideration at Constantinople; that, under the legislation of the Stock Exchange, parties supplying a defaulting Government with money were treated as accomplices; that full notice had been publicly given of the default of the Government, and that objection would be taken to settlement and quotation; and that the Ottoman Government, under the signature of the Imperial Ottoman Bank, had, on the 2nd September, sent a letter to Messrs. Raphael, which impugned the validity of the bonds held by bondholders.

It was, therefore, claimed that the whole matter should be adjourned for the consideration and investigation of the Committee.

The Committee proceeded to deliberate on the return of the parties, the Chairman informed Mr. Raphael, Mr. Cohen, and Mr. Leon, that their applications were not acceded to by the Committee.

Ottoman Government and Bank Letter of 2nd September, 1872.

The Representatives having been called upon to proceed, it was arranged that the case of the 1862 Loan should be first proceeded with.

A bond and prospectus of the 1862 Loan were put in.

Mr. Lawrence, Chairman, followed by Mr. Dixon, briefly stated the proceedings of the Government and the Bank (contractors for the loan) in not carrying out the conditions

of the loan, and postponed entering into the case as a letter of the 2nd September had come into their hands, signed by the Imperial Ottoman Bank, and stating that it was with the full authorization of his Excellency Musurus Pasha, Ambassador of His Imperial Majesty the Sultan, in which it was stated that the Government claimed as a right, and the Government and the Bank had acted upon it, to modify and set aside the provisions of the bond, of the Firman on which it was founded, and of the prospectus, in virtue of a clause said to exist in a contract unpublished between the Government and the Bank.

But in the contract for the 1862 Loan a power of modification was expressly reserved, and for reasons which have been given above, so that it was clearly exercising a right, and that, moreover, with a view to the advantage of the bondholders. For, by the contracts for both the Loans of 1858 and 1862, it is provided that the funds receivable by the Syndics shall be paid into a special "Caisse," and there was nothing to prevent the Government requiring that, for its own security, those funds should be kept at the Ministry of Finance. In that case, it is clear that, if the Government has been disposed to act with bad faith, there would have been no real security whatever that the money would be forthcoming when required in hard cash.

P.S.—The French text of the paragraph authorizing the modification in the mode of working the Syndicate account is as follows:—

"Les dispositions relatives à cette transmission de fonds, à la sécurité de leur dépôt, comme à leur emploi, pourront être modifiées pendant toute la durée de l'emprunt par le Commissaire dudit emprunt, d'accord avec les Banquiers, toutes les fois qu'ils le jugeront utile au bon service du Gouvernement de Sa Majesté Impériale et à l'exécution fidèle des conditions de la présente convention."

In substitution of the conditions of the bond it was stated in the letter that, under what was called a "Law" of 1866, the Government and Bank had otherwise dealt with the funds as a matter of right.

Under these circumstances, with such a document before them, it was for the Committee to determine what was to be done.

The other parties concurred that the proceedings of the Government and the Bank were of a very grave character, as endangering the bases of all contracts with such parties, and that the alleged contract, and all contracts for Turkish loans should be before the Committee.

Mr. Raphael refuted any responsibility for the letter, or the contents of it, and said that the Imperial Ottoman Bank by which it was written, ought to be summoned before the Committee.

An examination then took place of the bond, to ascertain whether anything therein stated, justified the proceedings of the Government and the bank.

The Chairman stated the Committee were in no position to hear any argument on the subject of the alleged clause, as the bond was before them, and that must be regarded as the contract between the Government and the bondholders unless some other was proved to exist.

The Committee having deliberated, the Chairman announced that the Committee had decided to adjourn until that day week, and that the Imperial Ottoman Bank would receive notice to attend.

[In the interval no explanation or communication was made by his Excellency the Ambassador to the representatives of the bondholders.]

Explanation of the Imperial Ottoman Government as to the Letter of 2nd September.

On Tuesday, the 17th September, the Committee reassembled, when Mr. Gilbertson, Director of the Imperial Ottoman Bank, attended, as he stated, representing his Excellency Musurus Pasha, Ambassador of His Imperial Majesty the Sultan.

The Chairman said a letter had been received from Mr. Gilbertson, stating that a verbal error had been made in the letter of the 2nd September, by omitting the words "believed it," reading "so that *it believed* it was clearly exercising a right."

1858 Loans. [Before his appearance, and not to lose the time of the Committee, Mr. Withers, Chairman, and Mr. Hyde Clarke, briefly stated the case of the 1858 holders, and claimed execution of the conditions of the bond laid before the Committee.]

Mr. Gilbertson now stated that the claim to a right by the Government was not acknowledged by the bank, and was only referred to as showing that the Government acted in good faith. The Government and the bank declared that they admitted the bonds to be the contracts between the Government and the bondholders.

A copy of this letter was not delivered to the representatives, and they expressed their dissatisfaction with the state of the affairs, and the attempted explanation.

The Chairman, having received the statement of Mr. Gilbertson, that he acted on the part of the Ambassador, stated that the letter must be received as a formal acknowledgment by the Government to be put on record that the bonds constituted the contracts.

Mr. Gilbertson then proceeded to make statements, and to answer questions as to the Syndicates of 1858 and 1862, and the working of the system of published statements, instituted by the Government in 1866 and called by him a "Law."

In answer to inquiries, he stated that this Law of 1866 was subject to be reversed summarily at any time, as was the practice at Constantinople.

Internal substituted for External Bonds.

The Secretary of the Council stated that this constituted a conversion of the "External" Bonds into "Internal" Bonds placed under the jurisdiction of the Ottoman Government, and that whereas a Government has legislative authority over internal stock, it has no power to alter a contract entered into with foreign parties, constituting an external stock.

Mr. Gilbertson made statements as to the working of the Syndicates of 1858 and 1862, of the law or statement of 1866.

Dealings with moneys put to a separate account.

It appeared after various questions that it was held if money had been set aside for the 1862 dividend, it would be employed to make up any deficiency of the 1858 dividend, thereby rendering nugatory any professed reservations or setting apart of the separate or assigned funds.

It also appeared that the sums contributed are not from the first revenues received to which the bondholders are entitled, but from the last.

Mr Gilbertson stated that the Government accounts of the revenues assigned to the 1862 Loan for 1278, 1279, and 1280 (1862 to 1865) are erroneous and exaggerated. So far from such statement being true, on some occasions the revenues had not in half a year produced 320,000*l.*, the sum required for the service of the loan.

Mr. Gilbertson affirmed that the Government on such account instead of making up the deficiencies in the terms of the bond from the general revenues, was justified in setting aside the special securities altogether.

He also affirmed that the first charge of the secured loans was on the general revenues (including the special revenues assigned as security), and that in case of deficiency, then the special revenues assigned (which no longer existed), were to make good the deficiency.

These, and other statements of Mr. Gilbertson, were received with expressions of dissent and disapproval from the representatives, who stated that this amounted to the total rejection of the claims of the secured loans.

Dividends paid out of Loans.

It appeared from the statements made, that secured dividends were paid out of the proceeds of borrowed money in 1859, 1860, 1861, and 1872. Mr. Gilbertson stated that the announcement of the Minister of Finance, that he had paid the last dividend of the 1862 Loan out of the 1872 Loan, was not correct, as it was a simple banking employment of money lying in London.

Mr. Gilbertson more than once claimed that it was for the benefit of the secured bondholders that they should be mixed up with the unsecured bondholders.

Mr. Gilbertson stated, as representing the Ottoman Ambassador, that if the bondholders wished the conditions of their bonds carried out, that the Government would consent.

Asked by a member of the Committee how long it would require to obtain the sanction of the Government, he stated within a day or two.

Shortly after, the Committee stated they proposed to deliberate, and on the return of the parties the Chairman stated the Committee had decided to adjourn until the next day.

[This adjournment gave the Government the time and opportunity to negotiate, but no communication reached the Council. Mr. Gilbertson was supplied, for his Excellency the Ambassador, with copy of a letter from Mr. J. A. Franklin to the Right Honourable Earl Granville, in which he informed his Lordship the bondholders required the constitution of the 1862 Syndicate, in the terms of the arrangement made by Aali Pasha with Lord Lyons, and without any interference or intervention of the Imperial Ottoman Bank, contractors of the loan.]

Letter of his Excellency Musurus Pasha.

On Wednesday, the 18th September, the Committee reassembled.

The Chairman said he had received a letter under the hand of his Excellency

Musurus Pasha, Ambassador of His Imperial Majesty the Sultan, conveyed by Mr. Paul Gadban, Ottoman Consul-General, then present.

As this letter was not in English, in which language the bonds of the several loans are drawn up, it was not read, but a verbal translation was made.

The representatives being unable fully to understand the meaning of the assertions made by his Excellency, asked to be furnished with a copy, and for time to consider it.

It was observed that the facts connected with the loans were not accurately represented, and that, notwithstanding the express disavowal on the previous day, on his Excellency's authority, of the secret clause, it was again recited as giving the Government a right. It was consequently impossible to know whether the Government accepted or rejected that clause or its obligations under the bonds.

The attention of the members of the Council and Committees was called to the slighting manner in which they were supposed to be referred to by his Excellency, as "some persons in the name of the 1858 and 1862 bondholders."

It was remarked by members of the Committee of the Stock Exchange that before them the status of the Council and Committees was recognized.

The Chairman said that the letter must be remitted to record, so far as it amounted to a solemn declaration and pledge of the Ambassador representing the Ottoman Government, that the Government would adhere to its obligations under the bonds.

The Chairman asked the representatives whether they were satisfied with the statements of Mr. Gilbertson yesterday, or those of the Ambassador that day.

For the 1862 bondholders, Mr. Lawrence, Mr. Dixon, Mr. Paterson, Mr. Pickering, and Mr. Franklin stated that they were not satisfied, and that the bondholders required the fulfilment of their bonds.

Mr. Franklin stated the bondholders would not allow the Imperial Ottoman Bank, which had not fulfilled their duties as Contractors, to take measures for annulling the terms of the bonds after the scheme proposed by them.

Mr. Paterson stated that two meetings of the 1862 bondholders having been held, the Government had the expression of opinion as to complying with its obligations, and that no expression of opinion obtained in the way proposed could release it from its obligations.

For the 1858 Committee and the Council of Foreign Bondholders, it was stated that full compliance with the conditions of the several bonds was required, and that external could not be converted into internal debts according to the scheme devised.

All parties concurred in requiring that the consideration of the question should be postponed.

The Committee proceeded to deliberate, and on the return of the parties, the Chairman announced that settlement of the 1872 Loan was granted, and quotations postponed until the 1858 and 1862 bondholders were satisfied.

The Chairman stated that the resolution and the letter of Musurus Pasha would be sent to Mr. Hyde Clarke for communication.

Mr. Hyde Clarke undertook to take the necessary measures in due course.

Claims of Holders of 1865 Six per Cent., 1865 Five per Cent., &c.

Mr. Hyde Clarke called the attention of the Committee to the circumstance that, from the shape the proceedings had taken the case of the holders of 1865 Six per Cent., 1865 Five per Cent., Consolidés, and other loans, had not yet been entered upon, and that he had duly made appearance for them on the commencement of proceedings, and had attended with bonds. He therefore claimed that they should not be excluded from the benefit of any arrangement with the Government.

The Chairman stated that at that period these cases could not be gone into, and that, as the Government had given such solemn pledges, it was to be considered that it would carry out its engagements towards all bondholders, as well as those of the Loans for 1858 and 1862.

Mr. Lawrence and Mr. Hyde Clarke, on behalf of the several opposing parties, expressed their satisfaction with the care and attention which the Committee had devoted to the subjects brought before their consideration.

Correspondence of the Committee of the Stock Exchange.

Committee Room, Stock Exchange, London, September 19, 1872.

Dear Sir,

I have the pleasure to inclose copies of—

The resolution respecting the settlement of the new Turkish Loan passed by the Committee at their meeting yesterday the 18th instant, and of the "Déclaration" of his Excellency Musurus Pasha, dated the 17th instant.

I am, &c.
(For the Secretary)
(Signed) WALTER PARKER.

Hyde Clarke, Esq., Secretary to the Council of Foreign Bondholders.

Committee Room, September 18, 1872.

The following resolution has been this day passed by the Committee for General Purposes:—

Resolved—

"That the Committee, having heard the objections raised by the representatives of the Turkish Bondholders of 1858 and 1862 against the settlement and quotation of the Imperial Ottoman 9 per cent. Treasury Bonds of 1872, and the explanations furnished by the Imperial Ottoman Bank on behalf of the Ottoman Government, and also having regard to the "Declaration" of his Excellency Musurus Pasha, dated 17th September, 1872 (a copy of which is hereto appended), grant a settlement to the said Imperial Ottoman 9 per cent. Treasury Bonds of 1272, the question of quotation being reserved until a satisfactory arrangement has been carried out with the Bondholders of the Loans of 1858 and 1862."

(Copy.)

Ambassade Impériale Ottomane.

BIEN que par l'Iradé Impériale de 1866, la Sublime Porte ait décrété que la totalité des revenus spécialement affectés au service des Emprunts de 1858 et de 1862 soit versée entre les mains de la Banque Impériale Ottomane afin que ces revenus, avec d'autres revenus de l'État versés également entre les mains de la dite Banque, formant ensemble un total plus que suffisant, mettent cet établissement en position de pourvoir à temps non-seulement au service de ces deux Emprunts, mais aussi à celui de toute la dette publique extérieure;

Bien que cet arrangement, fait en vertu d'une clause du contrat de l'Emprunt de 1862, ait été admis de fait par la Banque Impériale Ottomane, qui, ayant été un des contractants de l'Emprunt de 1862, a le droit de nommer les Syndics de cet Emprunt, et qui comptait aussi parmi ses Directeurs les Syndics nommés par les contractants de l'Emprunt de 1858;

Bien que ce mode d'arrangement, qui a rendu ainsi praticable l'objet de l'établissement des Syndicats, ait fonctionné depuis 1866 de la manière la plus régulière et la plus satisfaisante;

Et bien que le Gouvernement Impérial, loin d'avoir songé à manquer en rien à ses engagements, soit quant au fond, soit quant à la forme, ait au contraire donné la preuve la plus éclatante de sa sollicitude tant envers les porteurs de titres de tous les fonds Turcs que spécialement envers les porteurs de titres des Emprunts de 1858 et de 1862, pour lesquels la Banque Impériale Ottomane doit naturellement vouer une attention toute particulière, d'autant plus que ces deux emprunts ont, d'après les contrats, un droit de priorité sur les revenus qui leur sont spécialement affectés:

Toutefois, comme quelques personnes font, au nom des porteurs de titres des Emprunts de 1858 et de 1862, des objections contre l'arrangement décrété par l'Iradé Impériale de 1866, et demandent l'établissement des Syndicats séparés pour chacun des dits emprunts conformément à la lettre et à l'esprit des conditions stipulées, je déclare que le Gouvernement Impérial est prêt à consentir soit à un Syndicat spécial pour chacun de ces deux emprunts aux termes de ses engagements, soit au maintien de l'arrangement de 1866, suivant ce que préféreraient les porteurs des titres des dits emprunts, dûment convoqués en assemblée par l'agence de la Banque Impériale Ottomane à Londres, et par Messieurs Dent, Palmer, et Cie.

L'Ambassadeur de la Sublime Porte,
(Signé) MUSURUS.

Londres, le 17 *Septembre*, 1872.

APPENDIX.

(Rough Translation.)

From the "Financier."

Imperial Ottoman Embassy.

By the Iradé Impériale of 1866, the Sublime Porte declared that the total of the special revenues assigned to the services of the Loans of 1858 and 1862 should be placed in the hands of the Imperial Ottoman Bank, to the end that these revenues, with other revenues, placed equally in the hands of the said Bank, should be together a total more than sufficient to put that establishment in a position, not only to provide for the service of these two loans, but also for the whole of the exterior public debt.

By the arrangement made in virtue of a clause in the contract of the 1862 Loan, the Imperial Ottoman Bank, who were the contractors of the 1862 Loan, have the right to nominate the Syndicate of this loan, and they found that amongst the directors the Syndicate named by the contractors of the 1858 Loan.

This mode of arrangement has rendered practicable the establishment of Syndicates, which have existed since 1866 in a manner most regular and satisfactory.

And the Imperial Government has never desired to escape from any of its engagements, but, on the contrary, has given the utmost solicitude towards the holders of all Turkish stocks, more especially towards the holders of the 1858 and 1862 bonds, for which the Imperial Ottoman Bank has been desired to pay particular attention that these two loans shall have under their contracts a prior right on the revenues specially affected.

But as some persons, in the name of the 1858 and 1862 bondholders, have objected to the arrangement decreed by the Iradé Impériale of 1866, and demanded the establishment of separate Syndicates for each of the said issues, conformable to the letter and spirit of the conditions stipulated, I declare the Imperial Government is ready to consent to the establishment of a special Syndicate for each of the two loans, or to maintain the arrangement of 1866, according to the decision of meetings convoked through the agency of the Imperial Ottoman Bank at London, and Messrs. Dent, Palmer, and Co.

(Signed) MUSURUS,
Ambassador of the Sublime Porte.

London, September 17, 1872.

No. 118.

Mr. Franklin to Earl Granville.—(Received September 25.)

London Institution, Finsbury Circus, September 19, 1872.

My Lord,

REFERRING to my letter of this day's date, sent up by special messenger, and to intended inclosures noted in the margin, I beg leave to present herewith a copy of the declaration of his Excellency Musurus Pasha. I have not yet received the "appendages" still under preparation by the Council of Foreign Bondholders, and, in order to save to-morrow's post for Turkey, I will request their Secretary to transmit them to the Foreign Office without passing them through my hands.

I have, &c.
(Signed) J. A. FRANKLIN.

Inclosure in No. 118.

Resolution of the Stock Exchange Committee, and Declaration of Musurus Pasha.

[See *ante*, p. 75.]

No. 119.

Viscount Enfield to Mr. Clarke.

Foreign Office, September 24, 1872.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 20th instant, inclosing, for transmission to Her Majesty's Ambassador at Constantinople, a Memorandum of the proceedings of the Committee of the Stock Exchange, together with a copy of a letter from the Turkish Ambassador at this Court on the subject of the Anglo-Turkish Loans; and I am to inform you, in reply, that his Lordship cannot undertake to make Her Majesty's Embassy a channel of communication between the bondholders and the Porte.

I am, &c.
(Signed) ENFIELD.

No. 120.

Viscount Enfield to Mr. Franklin.

Foreign Office, September 24, 1872.

Sir,

IN reply to your letter of the 19th instant, I am directed by Earl Granville to state to you that Her Majesty's Government cannot undertake to make Her Majesty's Embassy at Constantinople the channel of communication between the Bondholders of the Anglo-Turkish Loans and the Porte; and I am to draw your attention to the letter addressed to you on the 18th of October, 1870, informing you that his Lordship could do no more in the matter of the Loan of 1862 than had been done already, namely, to obtain the consent of the Porte to the establishment of a Syndicate. You were also informed by Mr. Hammond's letter of the 21st ultimo, that Sir H. Elliot has been instructed to report whether any progress has been made in bringing about an amicable settlement of the points in dispute.

I am, &c.
(Signed) ENFIELD.

No. 121.

Mr. Clarke to Earl Granville.—(Received September 28.)

115, Palmerston Buildings, London, September 27, 1872.

My Lord,

I HAVE the honour to acknowledge the receipt of the letter of the Right Honourable Lord Enfield of the 24th instant, written by direction of your Lordship.

This letter states that your Lordship cannot undertake to make Her Majesty's Embassy at Constantinople the channel of communication between the bondholders of the Anglo-Turkish Loans and the Porte.

I have the honour to explain to your Lordship, that the nature of the letter of the Council of the 20th instant must have been misapprehended, as no application was addressed to your Lordship on behalf of the bondholders generally.

The letter was addressed on behalf of the Committee of Turkish bondholders of 1862, for whom your Lordship and your predecessors have been kind enough to interest yourselves with the Ottoman Government, and to obtain from the latter various promises of the fulfilment of conditions.

On this occasion, his Excellency Musurus Pasha has proceeded to Constantinople, as is supposed, on the subject of these and other similar claims. It is expected, in the nature of things, that he or the Minister of Foreign Affairs might take the opportunity of consulting Her Majesty's Ambassador. No time was therefore lost in forwarding to your Lordship, for Her Majesty's Ambassador, copies of documents in relation to recent proceedings in the case, which would put his Excellency in possession of information not at his disposal, and essential for the guidance of his opinion.

It was not desired that your Lordship should communicate these documents to the Porte; and as the Foreign Office has already authorized the Ambassador to use his good

offices, no request was made that his Excellency should make any special application to the Porte.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

No. 122.

Mr. Franklin to Earl Granville.—(Received September 30.)

London Institution, Finsbury Circus, September 29, 1872.

My Lord,

I HAVE the honour to report receipt of Mr. Hammond's letter bearing post mark of 27th instant, in acknowledgment of mine dated 16th instant, also of Lord Enfield's letter dated the 24th instant, in acknowledgment of mine dated 19th instant.

I assume, therefore, that the first sentences of Lord Enfield's letter have been intended rather for the Council of Foreign Bondholders, as champions of "Anglo-Turkish Loans" indiscriminately than for the 1862 bondholders specifically, on whose behalf this correspondence with your Lordship and your Lordship's predecessors commenced in 1865 with Earl Russell, whose official letter, designed to encourage subscriptions to the loan, had been a prominent feature in its prospectus.

In case, however, that your Lordship discourages communication to Her Majesty's Embassy at Constantinople of Musurus Pasha's declaration dated 17th instant (the sole accompaniment of my letter of the 19th instant), and of our rejection of the Pasha's propositions, then we must submit as heretofore to responsible guidance. Such was our submission in 1867 during the visit of the Sultan to England when Lord Stanley prevented our appealing to His Imperial Majesty's Minister in attendance, as other claimants were doing with success.

Allow me to call attention to a report from Constantinople that an expression in Mr. Hammond's letter to me of the 21st August last, has been construed to indicate less earnestness than heretofore in the representations made through Sir Henry Elliot in our interest. The expression is "unofficial representations on various occasions." It seems to have been overlooked that on other occasions the procedure has been in pursuance of "official action promised in the interest of the bondholders." Our claim, in fact, originated in the part taken by Lord Palmerston's Government in the affair, as, in effect, admitted by Earl Russell's letter dated 6th September, 1865, signed by Mr. Layard, Under-Secretary of State, and subsequently head of the Imperial Ottoman Bank, a post in which he was succeeded by other gentlemen drafted from Her Majesty's service.

Having from first to last reminded Her Majesty's Government of the logical deductions from its original interference, and of our rights of recourse as strengthened by abstention of the Government from timely and efficient intervention, we need not now point out the anomaly of our position. We were recommended to take the bonds as a means to convert home debts of Turkey, then extant, at ruinous rates. We are now condemned to a degradation of our specially secured bonds to the level of like home debts, controllable by Iradé. Both Governments accepted as conclusive the evidence I was asked to adduce, viz., that the bondholders persist in their demands for receivership, safe custody, and due application of the hypothecated revenues. Nevertheless, all obligations are evaded, and we are invited to allow the State Bank of Turkey to discharge Turkey from those obligations on our behalf.

I have, &c.
(Signed) J. A. FRANKLIN.

P.S.—I have received from the Council of Foreign Bondholders a circumstantial rejection of Musurus Pasha's propositions. I do not communicate to that Council a copy of this letter, at the risk of its being published, but am content that it remain my personal representation until I receive your Lordship's reply.

J. A. F.

No. 122*.

Sir H. Elliot to Earl Granville.—(Received October 1.)

(No. 195.)

Therapia, September 21, 1872.

My Lord,

YOUR Lordship has directed me to report upon the position of the question regarding the Syndicate of the bondholders of the Turkish Loan of 1862.

I have the honour to state, in reply, that the matter is treated by the Minister of Finance through Musurus Pasha and the Directors of the Ottoman Bank in London.

The communications received from London led the Minister of Finance to imagine that the arrangement he proposed, of keeping separate accounts of the revenue reserved for the service of the loan, would be regarded as satisfactory, and I inclose copies of some of the telegraphic correspondence between his Excellency and the Turkish Ambassador.

In a conversation I had with Sadik Pasha a few days ago, I told him I saw no probability of the bondholders being satisfied with anything but the appointment of the Syndicate, to which they have a right; and although his Excellency thought that the opening of an account into which the revenue affected to the loan should be paid and the returns regularly published ought to be sufficient, I did not find him disposed to call in question the strict right of the bondholders to the nomination of the Syndicate.

Sadik Pasha is, I believe, alive to the importance of keeping faith with the bondholders, and the difficulty in getting the Syndicate consented to is undoubtedly owing to the attempt that was made to provide for the salaries of its members by a deduction from the interest payable to the bondholders (which the Porte does not consider itself authorised to make), or out of the Imperial Treasury.

Although this point had not latterly been pressed it was simply left in abeyance, and the Porte continued under the apprehension that by consenting to the Syndicate they would expose themselves to its renewal.

Nevertheless, a telegram from Musurus Pasha of the 18th instant states that he had officially declared to the Committee of the Stock Exchange that the Imperial Government was ready to consent either to the establishment of a special Syndicate for each of the two loans of 1858 and 1862, according to the terms of the engagement, or to the maintenance of the arrangement of 1866, as might be determined on by the holders of the bonds of the two loans, duly convoked in London by the Ottoman Bank in London, and by Messrs. Dent, Palmer and Co.

The Minister of Finance has submitted the whole matter to the Council of Ministers, and hopes in a day or two to be able to state the decision that is come to.

I have, &c.
(Signed) HENRY ELLIOT.

Inclosure 1 in No. 122*.

Musurus Pasha to Safvet Pasha.

(Télégraphique.)

L'AGENCE de la Banque Impériale Ottomane à Londres a été pleinement satisfaite des ordres donnés par Son Altesse le Grand Vizir au Ministère des Finances, et de la note adressée par ce Ministère à la Banque Impériale Ottomane à Constantinople, et maintenant elle ne doute pas que par suite des explications qu'elle donnera au Comité du Stock Exchange celui-ci n'accorde la cote de notre nouvel emprunt. Mais comme les revenus affectés à l'emprunt de 1858 sont les Douanes de Constantinople, et à l'emprunt de 1862 le tabac, le sel, le timbre et les droits de patente, elle demande qu'au lieu de comprendre tous ces revenus, comme jusqu'à présent, sous la dénomination générale de contributions indirectes, l'état mensuel indique à l'avenir les sommes reçues sur ces revenus séparément comme il suit: Douane et contributions indirectes tant, tabac tant, et sel tant. De cette manière, on aura l'avantage réel d'un compte séparé, et on fera complétement taire les partisans des Syndicats.

Inclosure 2 in No. 122*.

Safvet Pasha to Musurus Pasha.

Le 14 Août, 1872.

(Télégraphique.)

PAR une lettre datée du 12 Août le Ministère des Finances a informé la Banque Impériale que les revenus spéciaux affectés au service des emprunts extérieurs et de la Dette Générale seront versés à la Banque Impériale Ottomane et les tableaux y relatifs seront publiés comme par le passé.

Déjà la Banque Ottomane a fait publier ici aujourd'hui dans tous les journaux le tableau des revenus assignés à cette Banque pour le service des coupons et amortissements des emprunts extérieurs et de la Dette Générale pour le second semestre de l'exercice 1872-73.

Inclosure 3 in No. 122*.

Safvet Pasha to Musurus Pasha.

Le 24 Août, 1872.

(Télégraphique.)

CONFORMEMENT à une nouvelle communication du Ministère des Finances, la Banque Impériale, tout en maintenant, comme par le passé, les formalités relatives au service de la dette publique, est autorisée à publier aussi séparément un extrait du tableau général spécifiant les revenus affectés aux services des emprunts de 1858 et 1862.

Veuillez communiquer cette décision à qui de droit, et tâcher d'obtenir une réponse satisfaisante.

No. 123.

Viscount Enfield to Mr. Clarke.

Foreign Office, October 2, 1872.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 27th ultimo; and to inform you, in reply, that his Lordship has given directions that copies of your letters and inclosures may be forwarded to Her Majesty's Ambassador at Constantinople, for his Excellency's information, but not for communication to the Porte.

I am, &c.

(Signed) ENFIELD.

No. 124.

Earl Granville to Sir H. Elliot.

(No. 128.)

Foreign Office, October 3, 1874.

Sir,

I TRANSMIT to your Excellency, for your information, but not for communication to the Porte, the inclosed copies of correspondence which has passed between this office and Messrs. Hyde Clarke and Franklin on the subject of the affairs of the bondholders of the Ottoman Loan of 1862.*

I am, &c.

(Signed) GRANVILLE.

No. 125.

Viscount Enfield to Mr. Franklin.

Foreign Office, October 5, 1872.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 29th ultimo; and to inform you, in reply, that, by his Lordship's directions, copies of your letters and inclosures have been sent to Her Majesty's Ambassador at Constantinople, for his Excellency's information, but not for communication to the Porte.

I am, &c.

(Signed) ENFIELD.

No. 126.

Mr. Franklin to Viscount Enfield.—(*Received October 7.*)

Gower Street, October 6, 1872.

MR. J. A. FRANKLIN presents compliments to Lord Enfield, and incloses herewith a duplicate copy of the letter addressed on the 2nd September last by the Imperial Ottoman Bank to Messrs R. Raphael and Sons, as requested by Lord Enfield under date of 3rd October instant.

Mr. J. A. Franklin has been supplied with the inclosed copy of letter from the Council of Foreign Bondholders to his Excellency Musurus Pasha, and he begs leave to furnish it for information of the Foreign Office.

Inclosure 1 in No. 126.

Mr. Lauder to Messrs. R. Raphael and Sons.

Imperial Ottoman Bank, London Agency, 26, Throgmorton Street, September 2, 1872.

Gentlemen,

AT the request of his Excellency the Turkish Ambassador, we beg to furnish you with the following statement of the facts relative to the Syndicates for the Loans of 1858 and 1862.

* Inclosure 1 in No. 117, Nos. 111, 112, 113, 114, 115, 117, 120, and 122.

The Loan of 1858 was issued by Messrs. Dent, Palmer, and Co. The loan was charged on the general revenues, and the Customs and octroi of Constantinople were assigned as special guarantees for the due service of the interest and sinking fund. For the purpose of effectually securing that service, a special Commission was to be formed, consisting of five members, two to be appointed by the Contractors, two by the Turkish Government, and the fifth, who was to be President of the Commission, was to be the Minister of Finance for the time being. This Commission is usually known as "the Syndicate." A special "caisse" was to be established for the receipt of the revenues applicable to the service of the loan, and it was to be under the supervision of the Syndics; but it was stipulated that the operations connected therewith should be conducted so as not to inflict loss or prejudice upon the Turkish Government.

At the time of the negotiation of the 1858 Loan, the Customs revenues in Turkey were farmed out, and a credit of three months or upwards was usually allowed to the merchants, who gave bills for the duties they had to pay. The Contractors, therefore, saw no difficulty in the way of carrying out the operations of the Syndicate. But the Government subsequently abolished the system of farming the Customs, collected the duties itself, and put an end to the credit allowed to merchants. Under those circumstances it became necessary to seek for some mode of employing the sum receivable by the Syndics so that no serious loss of interest might be incurred. But the difficulty of finding safe investments by which the Syndics would incur no personal liability, was found to be insurmountable, the least objectionable ones being loans which were in fact, if not ostensibly, guaranteed by the Government. This was tantamount to lending the funds to the Ministry of Finance, which did not of course fulfil the object that was proposed for attainment by the contracting parties.

Matters were in this state when the negotiations for the 1862 Loan took place. In the contract for that loan a clause was also inserted, charging the general revenues of the Empire with the service of the loan, and more especially those arising from tobacco, salt, stamps, and licenses. A syndicate was to be formed in the same manner as prescribed by the contract for the 1858 Loan, and a "caisse" to be established. But remembering the practical difficulty which had arisen as to the working of that clause, it was further stipulated, with a view of introducing such modifications as experience might prove to be necessary, that, "The dispositions relating to this transmission of funds, to the security of their safe keeping, as well as to their employment, may be modified during the whole period of the loan by the Commissary of the said loan, in concert with the Contractors, as often as they may think it useful for the good service of the Imperial Government, and for the faithful execution of the conditions of the present contract.

The Contractors appointed their Syndics; but as the service of the loan during 1863 was secured by the contract, and as that of 1864 was easily provided for by delegations on the Contractors for the loan of that year, the Syndics found their functions very simple.

In 1865 the Grand Vizier authorized the Imperial Ottoman Bank to open a separate account for the 1862 Loan, to which was passed the sums received on account of the taxes specially assigned for its service, the bank agreeing to allow the Government interest on a portion of the balance at the credit of the said account.

During the first half year the receipts for this account were largely in excess of the sum needed; but, in the next half year, which fell upon that portion of the financial year when those taxes came in slowly and in small amounts, there was a considerable deficiency, which had to be made up from other sources. The Government therefore closed the account, for it had not only inflicted upon the Treasury a very considerable loss in the way of interest, but it had totally failed to secure the object of its establishment, namely, the certain provision of the funds for the regular service of the loan.

The then Grand Vizier, his Highness Mehemet Ruchdi Pasha immediately applied himself to the preparation of a system which should be a guarantee against any deficiency in the means of meeting the charges on the Public Debt, and which should at the same time inflict the least possible loss on the Treasury, some being of course inevitable. The law of 1866 was therefore enacted, which provided that, at the commencement of the financial year, the Minister of Finance should deliver to the Imperial Ottoman Bank, for publication, a schedule of the charges for the Public Debt during that year, with a note of the amount of each class of revenue applicable to the provision for each separate loan. In a second schedule was to be stated the amount of each half yearly payment on every loan; its due date, and the amount of each particular revenue allotted to provide for it. To guard against defaults, a considerable additional amount of certain revenues was added over and above the exact sum necessary for the service, and it was only after provision made for all the loans, that the surplus receipts were to be passed to the credit of the Minister of Finance. Until that time the whole of the sums received were to stand in a

separate account, which could only be drawn upon for the purpose specified in the law, namely the service of the Public Debt.

In order that the public might be able to follow the movement of these funds, the law further provides that the Imperial Ottoman Bank shall publish monthly statements, showing the amounts received from the various classes of revenue, and also the application of such sums as may have been withdrawn, the balance being of course the sum available for coupons immediately falling due. This system has been found to work well, and to secure the bondholders against any delay in the payment of the sums due to them; and it did not appear to the contractors that a more effectual one could be devised, provided it was regularly carried out.

It is this enactment which has been in some quarters characterized as a breach of faith by the Turkish Government. But in the contract for the 1862 Loan a power of modification was expressly reserved, and for reasons which have been given above, so that it was clearly exercising a right, and that, moreover, with a view to the advantage of the bondholders. For, by the contracts for both the Loans of 1858 and 1862, it is provided that the funds receivable by the Syndics shall be paid into a special "caisse," and there was nothing to prevent the Government requiring that, for its own security, those funds should be kept at the Ministry of Finance. In that case, it is clear that if the Government had been disposed to act with bad faith, there would have been no real security whatever that the money would be forthcoming when required in hard cash. But by the new law this defect was remedied by the Government, and that by its own proper motion. The funds arising from the taxes named in the schedule must be paid into the Imperial Ottoman Bank, and retained there until needed for the service of the coupons, &c., and the accounts must be kept and published by the Bank. It is, in fact, constituted a sort of General Syndic, and is enabled to watch the movement of the revenues assigned; and if it sees that any of them are falling short of the totals which should be received by a given date, to make the necessary representations to the Minister of Finance, who forthwith gives the requisite orders to the provincial authorities to expedite the collection and transmission of the particular revenue that may be in arrear.

Very recently it occurred to the Bank that it would be more satisfactory to the 1862 bondholders to see what amount of the tobacco and salt duties were encashed from time to time. Those items were formally included under the head of "indirect taxes" in the monthly statements; but the Government at once authorized the Bank to separate them in future, the object of these statements being to furnish the public with the fullest knowledge of the practical action of the law.

The preceding statement will, we apprehend, enable you to give every requisite explanation to the Committee of the Stock Exchange; but should any further information on the subject be necessary, his Excellency the Ambassador has desired us to supply it.

I am &c.

(Signed) WILLIAM LAUDER, *Secretary.*

P.S.—The French text of the paragraph authorizing the modification in the mode of working the Syndicate account is as follows:—

"Les dispositions relatives à cette transmission de fonds, à la sécurité de leur dépôt comme à leur emploi, pourront être modifiées pendant toute la durée de l'emprunt par le Commissaire du dit emprunt, d'accord avec les banquiers, toutes les fois qu'ils le jugeront utile au bon service du Gouvernement de Sa Majesté Impériale et à l'exécution fidèle des conditions de la présente Convention."

W. L.

Inclosure 2 in No. 126.

Mr. Clarke to Musurus Pasha.

Council of Foreign Bondholders, September 19, 1872.

Excellency,

THE Committee of the Stock Exchange having communicated to the Council of Foreign Bondholders on the 18th instant, in presence of Mr. Gadban, Ottoman Consul-General, and of Mr. Gilbertson, of the Ottoman Bank, your Excellency's representatives, the letter of your Excellency of the 17th instant, has this day forwarded to the Council a copy of the same, together with the resolution of the Committee declaring the postponement of the quotation of the Imperial Ottoman Loan of 1872.

This letter is taken in connection with the letter of the Imperial Ottoman Bank, under authorization of your Excellency of the 2nd September, and with the withdrawal of the assertion of "a right" therein claimed to act on the secret clause in a contract undisclosed, made between the Government and the Bank. The withdrawal was made on the 17th September, before the Committee of the Stock Exchange, in the presence of the Council, by Mr. Gilbertson, stating that he acted as your representative.

It is impossible on the public reading of a document not in the language in which the transactions have been carried on, on the recent receipt of a copy of your Excellency's letter on the 7th, and in the absence of a copy of that of Mr. Gilbertson of the same day, for the constituted representatives of the bondholders to deliberate at once on these documents.

As, however, your Excellency has proceeded to Constantinople, and will have the opportunity of consulting with his Highness the Grand Vizier on the subject, I am instructed to inform your Excellency, so far as is possible, in what respect the statements of your Excellency accord with facts within the knowledge of the Council, or are in relation to the principles by which its action is guided.

It is necessary, therefore, to inform your Excellency that the Council do not accept the statements affecting the bondholders in the letters and declarations here referred to, as conveying an accurate representation of the relations, but that they protest generally on their own behalf, and that of the Committees in co-operation with them, against the admission of such statements.

This protest is the more necessary as there is no distinct disavowal under your Excellency's signature of the claim as of "right" to the secret clause, the assertion of which being in absolute derogation from the contract entered into by the Bond of 1862, and which consequently constitutes a danger to the holders of all Turkish Stocks. So far from this clause, recorded on the 17th as being withdrawn, being so abandoned, it is again revived in the letter of your Excellency, which says:—

"Bien que cet arrangement fut en vertu d'une clause du contrat de l'Emprunt de 1862."

This revival of the clause is attended with the further objection that the "clause" is made an authority for the "arrangement," that is what is called the Law of 1866, which, setting aside the right of the bondholders, substitutes for their securities a system without securities, and with dangers.

A "clause" affecting solely the Loan of 1862 could not afford a ground for abolishing the securities of the distinct Bond for the 1858 Loan.

The "arrangement," or Law of 1866, cannot have a legitimate origin in a "clause" disavowed on the 17th September by the Ottoman Government under your Excellency's authorization, disavowed by the Imperial Ottoman Bank, and not recognized by the Committee of the Stock Exchange, which has placed on its records, with your Excellency's concurrence, that the bonds alone constitute the contract between the Government and the bondholder.

Your Excellency will be able to point out to the Imperial Government the conflict of inconsistent statements and pretentions thus put forth on behalf of the Government. The matter will be rendered more clear by separating, as the bondholders desire, the case of the 1858 Loan from that of the 1862 Loan, and so of the 1862 Loan, and regarding each case on its own rights.

With regard to the working of the "arrangement," so substituted in violation and evasion of the conditions of the bonds, and in defiance of the exclamations of the bondholders, the evidence in the possession of the Council and Committees, and that given by Mr. Gilbertson in their presence, render it necessary to deny the statement that the "arrangement a fonctionné de la manière la plus régulière et la plus satisfaisante."

The "arrangement" has not prevented irregularities on the part of the Ottoman Government in the past, has caused serious anxiety to the bondholders from time to time as to the prospective payment of their dividends, and it is proved is susceptible of the diversion of the funds assigned to secured loans and their application to other purposes.

The circumstance that the Imperial Ottoman Bank, as co-contractors, have a claim, under the Contract of 1862, to name members of that Syndicate, and that they included among their managers those who had been members of the abandoned 1858 Syndicate, of which they had no authority to name the members, constitutes no right to place the Syndicates in abeyance, and to pervert their functions. It does constitute an aggravation of the conduct of the Government and the Bank, particularly in connection with the concurrence of the Government and the Bank in the nomination in 1870 and 1871 of the Syndicate for the 1862 Loan.

It appears to involve an inconsistency to claim "a right" under a "clause" secretly

to abolish the 1862 Syndicate in 1866, and publicly to allow it to be named in 1870 and 1871, and to hold its meeting in 1871.

It is for the Government and the Bank to explain how they could, in 1871, concurrently evade their obligations by a supposititious and usurped secret Syndicate of the Imperial Ottoman Bank, and comply with them by a public and duly constituted Syndicate under arrangement with Her Britannic Majesty's Ambassador.

The plea of Mr. Gilbertson on your Excellency's behalf, that to comply with its duty under the contracts would subject it to a loss of interest, appear not to be founded on the facts nor justified on principle. No such loss ought to be incurred under the agency of a State Bank. Were it however so, it cannot be a reason to dispense the Government from such loss, and as it is not so, it ought not to deprive the Government and the bondholders of the great rise in the market value of the securities, which Mr. Gilbertson acknowledges would take place on the Government putting the Syndicate in force.

There is this cardinal objection in the opinion of the Council to the propositions of the Ottoman Government, that whereas the 1862 Loan is an external loan, and as such held to be a contract, it would by being subject to the "Law of 1866" become subject to Turkish jurisdiction and thereby become an internal loan.

Not only would it cease to be a secured loan, but it would cease to be a secured external loan, and become an internal loan, subject to all the changes of Turkish jurisdiction, and all the vicissitudes of Turkish finance.

With regard to the proposal to take the opinion of the bondholders on such a proposal, it is to be observed that two meetings, duly convened, have required the fulfilment of the conditions, and that, in pursuance, the Members of the Syndicate have been appointed by the Imperial Ottoman Bank on the nomination of the Committee, and in consequence no further meeting is required.

No practicable result could be obtained by the vote of a meeting (even supposing no objection lay to the mode of convention), because it would not operate as a release of the Government from those who did not assent to what would be an act of bankruptcy by a solvent Government.

The loss to the holders on the market price of their stock would be very great, and for that no compensation is offered or provided.

While before the Committee of the Stock Exchange, its members called the attention of the members of the Council of Foreign Bondholders, of the Committees of Bondholders of 1858 and 1862, to the inappropriate fashion in which they are supposed to be referred to by your Excellency as "quelques personnes [qui] font au nom des porteurs de titres des Emprunts de 1858 et de 1862 des objections contre l'arrangement décrété par l'Iradé Impérial de 1866."

Whatever some persons may do, it is not the less on record, that the attempt by Iradé Impérial of 1866 to violate the contracts of the Government has been resisted by the duly constituted representatives of the bondholders, and it was some satisfaction to them, at that period of the sitting of the 18th September, to be assured that they were recognized by a body so high placed as the Committee of the Stock Exchange, as your Excellency is recognized. Such institutions exist in consequence of the experience obtained of their public utility, considerations which will be appreciated by the Government of Turkey when profiting by their valuable services.

In the case of the smallest State, it would be the duty of the Council of Foreign Bondholders to protest against such violations of duty and assertions of injurious principles as have been committed by the Ottoman Government; but, in the instance of a leading Power like Turkey, it is imperatively necessary to resist what might become examples and precedents to other nations to the endangerment of the enormous amounts invested, by the people of Europe, in loans to foreign communities in all countries.

In calling the attention of your Excellency to the serious contradictions and inaccuracies which have been put forward under your name, it is conceived that your Excellency, in your absence from Constantinople during so many years, has been misled with the misrepresentations of other parties. The Council rely on your Excellency's sense of justice to place before the Grand Vizier and the Ministers of the Sultan the objections which present themselves to these inaccuracies, and to obtain the investigation and establishment of the correct facts.

With regard to what has passed and to what remains to be done, the Council and Committees have ever entertained a sincere confidence in the Government of Turkey. They have not brought themselves to believe that any deliberate design has ever existed to do injury to the bondholders, or to impair good faith. The Empire is under the rule of a Sovereign who has given incontestable proofs of his conscientious discharge of his high

functions, and of his constant desire to maintain the public credit. Attention is less due to the fact that the Government has paid the interest on its loans, than to the fact that the Government and people of Turkey have been ever ready to fulfil the great duties of patriotism and citizenship by undertaking whatever sacrifices may be necessary to fulfil the national obligations.

On your Excellency's laying before the Government the statement of the vexations to which the bondholders have been so long subjected, it will appear that not only have they seriously suffered, but that the Government itself has been still more seriously damaged in character and in resources by the distrust consequent on measures and proceedings, by no means in accord with the character of a great Power, still less with that of Turkey, holding among other nations the just reputation of a high sense of honour. The course of vexations has now reached the stage when, by the acts of the Government itself, after all possibility of further hesitation, the chief financial authority of world, the Committee of the Stock Exchange of London, has been imperatively compelled to put on record that the obligations of the Government are unfulfilled, and must be complied with.

None more deeply regret this issue than the Council of Foreign Bondholders; it is a common misfortune in which all interested in the fortunes of Turkey suffer together with its statesmen and its people. The Minister and public men of Turkey will bear witness that, to avert this result, every effort has long been made by the Council; they have omitted no opportunity of making amicable representations to the Grand Vizier, the Ministers, the public men, officially, officiously, and privately, by every means and channel, by accredited and unaccredited agents, and by intercession of devoted friends of Turkey and its Governors.

It has nevertheless happened that all such efforts have been frustrated, and that the promises and good intentions of distinguished men, dead and living, and even the measures of realization they have commenced, have been made utterly unavailing. It is not for the Council to ascertain by what instrumentality of subordinates and intermediaries the present disastrous state of affairs may have been brought about: that is the province of the Government; but they declare that no effort shall be wanting on their part, in union with the Government of Turkey, to give effect to those relations of mutual confidence, which never ought to be disturbed.

For this purpose they invite the friendly co-operation of your Excellency, so that an end may be put to all grounds of mistrust, and that the Government accomplishing in fact, as it must always have desired to do in intention, its obligations under the contracts of its bonds, may reap the full measure of prosperity, which will contribute to the welfare of Turkey, and to the satisfaction of the thousands of families, who now, by means of their investments, are bound up with the fortunes in property and sympathy.

I have the honour to place at your Excellency's disposal various documents, which will assist your Excellency in ascertaining the facts of the case, as they are regarded by the representatives of the bondholders, and to solicit their earnest consideration by the Government and by your Excellency.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

No. 127.

Mr. Franklin to Earl Granville.—(Received October 10.)

My Lord, *London Institution, Finsbury Circus, October 9, 1872.*

I BEG leave to call attention to corroborative statements recently published, showing attempted misappropriation of revenues assigned to the bondholders of this loan (subscribed with the encouragement repeatedly referred to) a misappropriation capable of being averted by those opportune representations at the Porte, which I have been occupied in claiming from Her Majesty's Government during seven years.

It is announced from Constantinople that the Tobacco Revenues have become so large and important as to require a Controller-in-chief, and that Mr. F. Guarracino retires from Her Majesty's Consular Service, in order to be appointed to that office.

This announcement of augmented revenues follows an official statement made before a recent meeting of the Stock Exchange Committee, by Mr. Gilbertson as representative not only of the Imperial Ottoman Bank, but of his Excellency Musurus Pacha.

His statement was, in effect, that the tobacco revenues available towards payment of interest, &c., upon foreign loans, had, of late, proved insufficient in amount. Moreover, when reminded of official returns, showing that those revenues, always in excess of our first charge thereon, had become still further increased by change to the "régie" system, he was understood to maintain a right to divert such revenues from our assignment, by means of that change of form.

I respectfully invite your Lordship to ascertain and inform us whether the facts are in accord with the above statements.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 128.

Viscount Enfield to Mr. Franklin.

Sir, *Foreign Office, October 16, 1872.*

I AM directed by Earl Granville to acquaint you that, in compliance with the request contained in your letter of the 9th instant, Her Majesty's Ambassador at Constantinople will be instructed to report on the present state of the tobacco revenues in the Ottoman Empire as affected by the new "régie" system.

I am, &c.
(Signed) ENFIELD.

No. 129.

Earl Granville to Sir H. Elliot.

(No. 133.)
Sir, *Foreign Office, October 18, 1872.*

WITH reference to previous correspondence on the affairs of the bondholders of the Ottoman Loan of 1862, I send you a copy of a further letter from Mr. Franklin;* and I have to instruct your Excellency to inform me of the present condition of the tobacco revenues as affected by the new "régie" system.

I am, &c.
(Signed) GRANVILLE.

No. 130.

Sir H. Elliot to Earl Granville.—(Received November 27.)

(No. 254.)
My Lord, *Therapia, November 11, 1872.*

I HAVE had the honour to receive your Lordship's despatch No. 133 of the 18th ultimo, inclosing the copy of a letter from Mr. Franklin, in reference to the affair of the bondholders of the Ottoman Loan of 1862, and requesting information respecting the present condition of the tobacco revenue, as affected by the new "régie" system.

The "régie" system, as first adopted by the Porte about three months ago, which is not applied to the whole Empire, but only to Constantinople and a certain circle round it, has just been materially modified.

Having been at first farmed to a Company, so many difficulties were experienced by its agents, that the arrangement was cancelled, and the Government have now taken the "régie" into their own hands and manage it by their own people.

As it is confidently expected that it will produce a considerable increase of revenue over that which used to be received, it can hardly be injurious to the interests of the bondholders whose dividends are secured upon it.

Sadik Pasha, the present Minister of Finance, has always admitted the claim of the bondholders in reference to a Syndicate, and is, he says, endeavouring to come to a satisfactory arrangement on the subject with the Bank of England.

I have, &c.
(Signed) HENRY ELLIOT.

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* No. 127.

No. 131.

Mr. Hammond to Mr. Franklin.

Foreign Office, December 10, 1872.

Sir,

WITH reference to Lord Enfield's letter of the 16th of October last, I am directed by Earl Granville to inform you that Sir H. Elliot has reported that the "régie" system, as applied to the tobacco revenue about four months since, and which is not applied to the whole Empire, but only to Constantinople and a certain circle round it, has been materially modified.

Having been at first farmed to a Company, so many difficulties were experienced by its agents that the arrangement was cancelled, and the Government have now taken the "régie" into its own hands, and it is managed by their own officials.

As it is confidently expected that it will produce a considerable increase of revenue over that which used to be received, Sir H. Elliot considers that this arrangement can hardly be injurious to the interests of the bondholders, whose dividends are secured upon it.

I am, &c.
(Signed) E. HAMMOND.

No. 132.

Mr. Franklin to Earl Granville.—(Received December 14.)

London Institution, Finsbury, December 12, 1872.

My Lord,

I HAVE the honour to acknowledge receipt of the satisfactory assurance quoted by Mr. Hammond's letter, dated 10th instant, from a Report made by Sir Henry Elliot to the effect that the arrangement whereby the tobacco revenues previously pledged to us had been farmed to others in manner to alienate our securities, has been cancelled; also that the "régie" system newly introduced and likely to be extended, will produce a considerable increase of revenue.

The remark, quoted by Sir Henry Elliot, that a change of system whereby our securities are augmented in value cannot be injurious to our interests, is a reassuring one, inasmuch that it betokens his vigilance to prevent misappropriations of our dues on such pretexts as were indicated in my letter of 9th October. That letter was rather an exemplification of "different acts of the Turkish Government to the detriment of the interests of the bondholders" than a restriction of "points in dispute," in respect of which Mr. Hammond's previous letter of 21st August last (from which I am quoting) informed us that Sir H. Elliot had already been instructed to report progress.

Hoping for intelligence from such Reports in due course, I have, &c.
(Signed) J. A. FRANKLIN.

No. 133.

Mr. Franklin to Earl Granville.—(Received December 14.)

London Institution, Finsbury, December 12, 1872.

My Lord,

CONCURRENTLY with my more formal letter of this date, and with reference to the expression "amicable settlement" in Mr. Hammond's letter of 21st August last, I find it due to Sir Henry Elliot that he should be advised of sundry unauthorized and inadequate propositions for settlement, not openly avowed, but nevertheless ascribed to loan contractors whose recent operations have been essentially hostile to our interests.

There is good reason to believe that but for the operations of such parties, the Ottoman Government might accredit fitting agents to propose here any modifications of procedure (say under your Lordship's auspices) for better convenience of that Government, not inconsistent with our security.

It must always be a British object to rehabilitate and sustain Ottoman credit—witness the origin, purpose, and advantages of this special loan, which "we subscribed under encouragement of Her Majesty's Government."

It is rumoured that certain bondholders, whose influence in the London Stock Exchange was exerted on our side on a recent occasion, may probably be induced to

favour the surrender, for themselves and friends, of the very conditions—priority, receivership, safe custody, &c.—which are essentials of our contract.

It seems therefore proper to reiterate, for information of the British Minister at Constantinople, that there does not exist any section of bondholders having authority to surrender for others the essentials above referred to, inasmuch as every separate bond in which these essentials are set out and subscribed by the accredited agent of the Porte, is a self-contained contract with its holder.

I have, &c.
(Signed) J. FRANKLIN.

No. 134.

Sir H. Elliot to Earl Granville.—(Received January 20.)

(No. 3.)

Constantinople, January 9, 1873.

My Lord,

THE "Times" of the 25th December, brought by the last English mail, contains a despatch, professing to be a circular issued by Halil Pasha, stating the decision of the Porte to proceed to the unification of the different Turkish debts.

In reply to the inquiry I made as to the authenticity of this document, Halil Pasha assures me not only that it is altogether imaginary, but that he has written nothing at all resembling it.

I have, &c.
(Signed) HENRY ELLIOT.

No. 135.

Mr. Clarke to Earl Granville.—(Received February 19.)

115, Palmerston Buildings, London, February 18, 1873.

My Lord,

I HAVE the honour to inform your Lordship that, at a meeting of holders of Turkish Bonds of 1862, held on Monday, the 17th of February, 1873, at the London Tavern, Mr. Edwin H. Lawrence, Chairman of the Committee, in the Chair, a vote of thanks to your Lordship was unanimously passed, of which I have the honour to transmit you a copy herewith.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

Inclosure in No. 135.

Resolution.

MOVED by Mr. H. W. Dixon, seconded by Mr. Gerstenberg, and resolved unanimously:

That the thanks of this meeting of bondholders be given to the Right Honourable Earl Granville, K.G., Her Majesty's Secretary of State for Foreign Affairs, for the co-operation his Lordship has afforded to the efforts of the Committee and of the Council of Foreign Bondholders.

No. 136.

Mr. Franklin to Earl Granville.—(Received February 25.)

London Institution, Finsbury Circus, February 20, 1873.

My Lord,

I BEG leave to transmit, for information of Foreign Office, and in duplicate, for transmission to Her Majesty's Ambassador at the Porte, copies of protest formally served upon the persons named therein, in advance of a meeting assembled on the 17th instant. At that meeting, acceptance was pretended to be obtained for a continued withholding, by the Turkish Government, of securities due under the contract, and confirmed by the Representative of that Government at this Court on a recent occasion.

It is proposed that the opening of any special account for service of the 1862 Loan shall be still further postponed until the London Stock Exchange shall have granted quotation to bonds of the 1872 loan; and that abandonment of the receivership which

had been contended for with success by your Lordship's predecessor in 1870, shall be certified in manner to condone and justify such abandonment in consideration of several thousand pounds to be paid out of contractors' profits upon the 1872 Loan, notwithstanding that the receivers of that sum are without power to represent the 1862 bondholders, upon whom an agency to their detriment is sought to be imposed.

Bonâ fide bondholders, on whose behalf I have had the honour to make representations to Her Majesty's Government, commencing in 1865 and resumed 8th August, 1872, continue to rely upon your Lordship's vindication of their interests on special grounds already recognized.

I crave permission to refer to two letters in this correspondence, both dated 12th December last, and to suggest that, if the monthly instalments, in which the Ottoman Government proposes to pay our half yearly dues, were so paid to a receiver or bailee selected by good offices of your Lordship, in manner to exclude intervention either distasteful to the Turkish Government or unacceptable to the bondholders, then terms of equitable accommodation might doubtless be found, with greater economy to Turkish funds and with still greater advantage to Turkish credit, as referred to in mine dated 12th December last.

Asking to be favoured with an early acknowledgment of the receipt of this letter,

I have, &c.

(Signed) J. A. FRANKLIN.

P.S.—It is pretended that we agree to relax or intermit our hold on tobacco revenues, &c., for a deferred promise to pay by easier instalments out of Treasury balances, if any.

J. A. F.

Inclosure in No. 136.

Protest.

To Edwin H. Lawrence, Esq., W. H. Dixon, Esq., Dr. E. T. Wilson, J. Gerstenberg, Esq., and Hyde Clarke, Esq., Secretary, claiming to be an Executive Committee of Bondholders of the Imperial Ottoman Loan of 1862.

I, JACOB ABRAHAM FRANKLIN, an original allottee of 10,000*l.* stock of the above-named loan, continuously since retained, and now represented by bonds of that amount deposited (as evidence of my *locus standi* and interest in the stock) at the Chief Office of the London and County Bank, do hereby protest, as well on my own account as on behalf of all bondholders for whose protection I have been in correspondence with Her Majesty's Government and others, from 1865 to December 1865 (which correspondence, down to 21st August, 1872, has been already published by the Council of Foreign Bondholders, and from that date to and including my letter of the 12th December, 1872, has been forwarded to the said Council, but not yet published), as follows:—

1. Because whatever office, agency, or mandate has been exercised by the Council of Foreign Bondholders, or by your Committee (as affiliated thereto), by virtue of any authority derived through me, has since ceased to be operative; both by reason of such authority having been used for purposes which were *ultra vires*, and also by revocation of such authority. *Vide* my letter of 8th August, 1872 (Correspondence Appendix, p. 130), and subsequent correspondence down to my letter to Edwin Lawrence, Esq., your Chairman, of 30th January, 1873.

2. Because the meeting of bondholders proposed to be held by you at the London Tavern, in the City of London, on 17th February, 1873, on insufficient notice, at which precautions are not taken to exclude other than bondholders, or to verify the aggregate amount of bonds represented at such meeting, is incompetent to represent any interest other than that of the bonds produced thereat; and because future holders of even those bonds will not necessarily be bound by any resolution passed at such meeting, unless a consent to such resolution be endorsed on the respective bonds.

3. Because, even if all the bondholders could be represented at the meeting, it would be incompetent to individual non-assenting holders to refuse to be bound by such resolution as that of which a draft, several times modified, has been submitted for my approval, on the ground that such resolution might be construed to release the Porte from its original obligations entered into with each holder, and to replace them by a "convention," "modification," or "proposition" to which no holder can be held to assent by mere implication.

4. Because any contemplated application of such resolutions for the purpose, 1st, of satisfying the special requirements of the Committee of the Stock Exchange, of the 18th September, 1872 (*vide* minutes of proceedings incidental to that requirement as taken by Hyde Clarke, Esq.); 2nd, of communicating with the Ottoman Government with any statement bearing upon the letter addressed by the Ottoman Embassy in London to the Agency of the Imperial Ottoman Bank in London, dated 4th February, 1873; 3rd, of affecting or interfering with the continued intervention of Her Majesty's Government for protection of the bondholders is likely to provoke litigation in the shape of an application to the Court of Chancery for an injunction or otherwise.

No. 137.

Mr. Hammond to Mr. Franklin.

Foreign Office, March 4, 1873.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 20th ultimo; and I am to state to you, in reply, that his Lordship can only forward the inclosures contained in your letter, for Sir H. Elliot's information, and they will be sent out by messenger on the 20th instant.

I am, &c.

(Signed) E. HAMMOND.

No. 138.

Sir H. Elliot to Earl Granville.—(Received March 28, 11·15 A.M.)

Constantinople, March 27, 1873, 11 P.M.

(Telegraphic.)

A CONTRACT for a 5 per cent. Railway Loan for 50,000,000*l.* sterling has been signed to-day between the Turkish Government, the Ottoman Bank, and the Crédit Ottoman.

Three millions are taken at the nominal price of sixty-five, but I am told confidentially that it is accompanied by arrangements which reduce the real price to about sixty-one and a-half.

These 300,000,000*l.* will be sufficient for the present year, and the rest will be called for in series, as afterwards required for railway construction.

It will be under the control of a Syndicate, bound to prevent it from being diverted to any other object.

No. 139.

Mr. Franklin to Earl Granville.—(Received June 13.)

London Institution, Finsbury Circus, June 11, 1873.

My Lord,

REFFERING to the protest against evasion of the obligations under contract, effected with privity of Lord Palmerston's Government, copies of which protest your Lordship transmitted to Constantinople, I have it in charge to represent that, so far as concerns the Imperial Ottoman Bank, no provision is acknowledged to have been made of funds to meet the current half-year's requirements, notwithstanding the transactions referred to in the protest above-mentioned. In these circumstances, and in view of an official declaration that 317,250*l.* must have been provided for remittance on or before Monday next, 16th June (N.S.), the bondholders will, unless the Imperial Ottoman Bank shall have been instructed by that day, to publish here that such provision has been made, be warranted in proclaiming the default, and taking such steps thereupon as have been indicated to Her Majesty's Government from time to time.

Respectfully requesting communication of this letter to Constantinople as heretofore,

I have, &c.

(Signed) J. A. FRANKLIN.

No. 140.

Mr. Hammond to Mr. Franklin.

Foreign Office, June 10, 1873.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 11th instant, respecting the Ottoman Loan of 1862; and, in reply, to inform you that a copy of the same will be forwarded to Sir H. Elliot, according to the request therein contained.

I am, &c.
(Signed) E. HAMMOND.

No. 141.

Mr. Clarke to Earl Granville.—(Received June 19.)

10, *Moorgate Street, London, June* 18, 1873.

My Lord,

I HAVE the honour to inclose, for the information of your Lordship and of Her Majesty's Ambassador at Constantinople, a copy of a letter which I have this day addressed to his Excellency Musurus Pasha on the subject of the Ottoman Loans of 1858 and 1862.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

Inclosure in No. 141.

Mr. Clarke to Musurus Pasha.

10, *Moorgate Street, June* 17, 1873.

Excellency,

I AM instructed by the Joint Commissions of the Ottoman Loans of 1858 and 1862, to draw your attention to the serious circumstance, that the Imperial Ottoman Government has as yet failed to carry out the recent Conventions to open a special account for the service of each of the Loans of 1858 and 1862.

A respectful representation on this important subject has been addressed this day to his Highness the Grand Vizier, and I take the liberty of requesting the favour of your Excellency's kind intervention in the matter.

Although it would have been the duty of the Joint Commissions, after so long a delay, to notify the noncompliance with the Convention to the bondholders, yet, from a sincere desire not to injure the public credit of Turkey, the Joint Commissions will refrain doing so until the return of the mail that is to convey the reply of the Government to the aforesaid letter.

I have, &c.
(Signed) HYDE CLARKE, *Secretary.*

No. 142.

Mr. Hammond to Mr. Clarke.

Foreign Office, June 23, 1873.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 18th instant, inclosing copy of a letter addressed by you to Musurus Pasha on the subject of the Ottoman Loans of 1858 and 1862.

I am, &c.
(Signed) E. HAMMOND.

No. 143.

Mr. Franklin to Earl Granville.—(Received June 25.)

London Institution, Finsbury Circus, June 17, 1873.

My Lord,

I HAVE the honour to acknowledge receipt of your Lordship's intimation that a copy of my letter of the 11th instant, respecting the Ottoman Loan of 1862, is forwarded to Her Majesty's Ambassador at Constantinople. I beg leave now to report that, at a late hour yesterday, but not before, the Imperial Ottoman Bank in London answered the following pressing inquiry, with an oral affirmation:—

"Whether the provision for the service of the Imperial Ottoman Loan, 1862, the completion of which is now due, has been made and advised."

An advertisement in this day's "Times," contains a qualified confirmation of the oral reply.

The bondholders are left to infer that the provision has been made at the last moment and by expedients little to be relied upon, instead of out of revenues specially hypothecated, kept apart and safe guarded under engagements to which Her Majesty's Government was a party in manner already indicated.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 144.

Mr. Hammond to Mr. Franklin.

Foreign Office, June 28, 1873.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 17th instant, informing his Lordship of the reply given by the Imperial Ottoman Bank in London to an inquiry as to the provision for the service of the Imperial Ottoman Loan of 1862.

I am, &c.
(Signed) E. HAMMOND.

No. 145.

Mr. Franklin to Earl Granville.—(Received August 11.)

London Institution, Finsbury Circus, July 28, 1873.

My Lord,

I HAVE the honour to report that the bondholders are again recommended to procure a motion to be made in Parliament for production of papers, correspondence, &c., in elucidation of their peculiar claims to persistent and effective service from Her Majesty's Government in respect of non-fulfilment of the compact to which the Government has been party in various ways, as frequently pointed out.

Not only has that compact been continuously violated, but the supplementary engagement obtained from the Porte by Lord Clarendon, your Lordship's predecessor, having been evaded, is no longer available. Meanwhile, complaint is made of unauthorized and discordant agencies interposed ineffectively or distastefully. Moreover, the further supply of loans wherewith to develop the latent resources of the great Ottoman Empire becomes more and more impeded by extravagant rates exacted, because of the discredit of Ottoman securities.

There is, however, still reason to believe that friendly counsel, prudent guidance, and administrative aid, such as Her Majesty's Government afforded at the issue of this Loan, would again be advantageous and acceptable to the Porte for retrieval of its credit, say by immediate installation of a Receiver appointed by Her Majesty's Government. For this is a case *sui generis* which, as heretofore shown, involves the credit of Her Majesty's Government and, according to some, the honour of British officials, who, originally occupied in promoting this Loan, were afterwards transferred to Turkish service, and in that service have been instrumental to misappropriate the securities pledged to the bondholders.

The proposal to move for papers, when made before, was not persisted in from

deference to an opinion of the Foreign Office. It is desired that the motion now contemplated should be framed with concurrence of the office, and I respectfully solicit guidance in the matter, hoping, nevertheless, that your Lordship will be able to afford some further encouragement to rely upon the action of Her Majesty's Government, of a nature to render any other immediate action by the bondholders premature.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 146.

Mr. Hammond to Mr. Franklin.

Foreign Office, August 12, 1873.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 28th ultimo, relating to the Anglo-Turkish Loan of 1862.

I am, &c.
(Signed) E. HAMMOND.

No. 147.

Mr. Franklin to Earl Granville.—(Received October 9.)

London Institution, Finsbury Circus, October 8, 1873.

My Lord,

PENDING consideration of the proposal to ask, through Parliament, for the papers which elucidate the claim of the bondholders to effective service, in presence of persistent misappropriations of funds which have been pledged to them with privity of Lord Palmerston's Government, I beg leave to call your Lordship's attention to the following facts:—

The Ottoman Government, though now confessing that it is practicable to set apart by instalments a provision for accruing dividends, does not show the proper source of such provision, nor enable any agency approved by your Lordship to attest such course. The laches indicated become of more consequence, because of new engagements to hypothecate tobacco revenues.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 148.

Sir H. Elliot to Earl Granville.—(Received October 17.)

Therapia, October 9, 1873.

(No. 359.)

My Lord,

I INCLOSE the prospectus which has been published of the new Ottoman Loan for 15,000,000*l.* effective, for which the subscription, which is to last three days, opened here yesterday. It consists of 1,388,889 bonds of 20*l.* nominal, payable to bearer, bearing 6*l.* per cent. interest, and repayable by half-yearly drawings extending over thirty-three years, the issue price being at 58½ per cent., and the first coupons falling due at the date of payment of the last instalment; the rate of interest amounts in reality to a trifle over 10*l.* per cent.; while, if the chance of drawing at par were compounded, this rate might be reckoned at not far from 12*l.* per cent.

The payment of the interest and the repayment of the bonds drawn are guaranteed generally on the revenue of the Empire, and in particular on the dimes of the vilayet of the Danube, the sheep tax of Anatolia, the surplus of the tobacco "régie" of Constantinople, and the dimes of the vilayet of Angora; but as the first two of these securities have been already specially set aside as security for the last Loan, and will for some time to come be required for that purpose, the Government has in the interval assigned, as temporary security, the tithes and verghis of certain other vilayets, which are declared to be free of all previous guarantee.

I have, &c.
(Signed) HENRY ELLIOT.

No. 149.

Mr. Franklin to Earl Granville.—(Received October 22.)

October 19, 1873.

My Lord,

REFERRING to my letter of the 8th instant, and observing the improved form of announcement published by the Ottoman Bank in yesterday's "Times," the bondholders will recognize therein a result of the action, by Her Majesty's Government, for their better protection. I crave once more to be excused for indicating how natural and how convenient would be the supply of the remaining link, viz., an Agency, approved by your Lordship and by the Porte, for the promised receivership of the hypothecated revenues, so near their source as to secure them against interception, either for departmental or extraneous purposes.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 150.

Viscount Enfield to Mr. Franklin.

Foreign Office, October 28, 1873.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 8th instant, respecting the claims of the bondholders of the Anglo-Turkish Loan of 1862.

I am, &c.
(Signed) ENFIELD.

No. 151.

Lord Tenterden to Mr. Franklin.

Foreign Office, November 6, 1873.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 19th ultimo, urging the establishment of an Agency, under the auspices of Her Majesty's Government and the Porte, for the receivership of the hypothecated revenues connected with the Ottoman Loan of 1862.

I am, &c.
(Signed) TENTERDEN.

No. 152.

Mr. Law to Lord Tenterden.—(Received November 8.)

Treasury Chambers, November 7, 1873.

My Lord,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your Lordship's letter of 31st ultimo forwarding copy of a despatch from Her Majesty's Ambassador at Constantinople inclosing copy of a Prospectus of the new Ottoman Loan.

I am, &c.
(Signed) WILLIAM LAW.

No. 153.

Mr. Franklin to Earl Granville.—(Received November 11.)

London Institution, Finsbury Circus, November 7, 1873.

My Lord,

IN acknowledging receipt of Lord Tenterden's letter of 6th instant, I beg leave to communicate as possibly desirable, in the interest of the Porte, to be made known at Constantinople through Sir Henry Elliot, that timely notice has been given to his Excellency Musurus Pasha to the following effect:—

On the 1st of December next formal inquiry will be made at the Bank of England whether sufficient funds for discharge of obligations due on the ensuing 1st of January have been remitted to the Bank of England pursuant to the first condition of the Contract inscribed on every several bond?

And on the 16th December next a corresponding inquiry will formerly be made at the bank of Messrs. Glyn and Co. in respect of the same first condition of the Contract above referred to.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 154.

Lord Tenterden to Mr. Franklin.

Foreign Office, November 17, 1873.

Sir,

EARL GRANVILLE has received your letter of the 7th instant on the subject of the Anglo-Turkish Loan of 1862; and his Lordship directs me to inform you that he does not consider it advisable to issue instructions to Her Majesty's Ambassador at Constantinople in the sense suggested by you.

I am, &c.
(Signed) TENTERDEN.

No. 155.

Mr. Franklin to Earl Granville.—(Received December 4.)

London Institution, Finsbury Circus, December 2, 1873.

My Lord,

I BEG leave to report that, in pursuance of notice given on 4th November to the Ottoman Ambassador at this Court, as advised in my letter to your Lordship dated 7th November (acknowledged in Lord Tenterden's letter of 17th November), formal application was made yesterday to the Bank of England to the following effect:—

"What provision has, within cognizance of the Bank of England, been made in fulfilment of the first condition set forth upon every several bond (of the above-named loan) and in respect of 320,000*l.* to be distributed on the 1st January, 1874?"

The answer, signed by the Chief Cashier of the Bank, admits that he is unable to report any such provision.

In these circumstances the attention of Her Majesty's Government is called to the default of the Porte in a fundamental obligation of the Contract upon which the bondholders had been induced to rely by Lord Palmerston's Government as heretofore shown. In case of any pretence of the Turkish Government to have been exonerated from its obligations by any competent agency, your Lordship is once again referred to the protest against any such pretension, as furnished to your Lordship for transmission to Constantinople.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 156.

Lord Tenterden to Mr. Franklin.

Foreign Office, December 12, 1873.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 2nd instant, relative to the alleged omission of the Porte to fulfil the conditions on which the Anglo-Turkish Loan of 1862 was contracted.

I am, &c.
(Signed) TENTERDEN.

No. 157.

Mr. Franklin to Earl Granville.—(Received December 18.)

London Institution, Finsbury Circus, December 16, 1873.

My Lord,

IN sequence to my letter of 2nd instant, I beg leave to notify that information is not yet obtainable at the Bank of Messrs. Glyn and Co. that the obligations of the Porte, set forth on the several bonds of this loan, have been fulfilled.

Meanwhile, the delay of an advertisement which could be construed to make either Messrs. Glyn and Co., the Imperial Ottoman Bank, or the London Agency of that Bank bailees for the bondholders is so far important that the Imperial Ottoman Bank has never yet revoked its former repudiation of responsibility to the bondholders in that capacity. Moreover, that bank admits its subjection to control of the Porte in such matters—and is a trading company which might have inducements to pretend a set-off against advances of its own to the Porte—besides the liability to illicit abstractions of moneys entrusted to custody of the Bank, as recently communicated.

Your Lordship is prayed to deal with these facts in their relation to the claims of the bondholders to the effective services of Her Majesty's Government as heretofore established.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 158.

Lord Tenterden to Mr. Franklin.

Foreign Office, December 20, 1873.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 16th instant, respecting the non-fulfilment by the Porte of certain engagements with regard to the Anglo-Ottoman Loan of 1862.

I am, &c.
(Signed) TENTERDEN.

No. 159.

Mr. Franklin to Earl Granville.—(Received December 31.)

London Institution, Finsbury Circus, December 29, 1873.

My Lord,

IN apprehension of an imminent collapse in Turkish finance, and in view of foreseen consequences of abstention on the part of Her Majesty's Government to employ earlier opportunities for protection of the bondholders' interests—claimed on grounds frequently set forth—I beg leave respectfully but urgently to inquire what is being done in the nature of a safe and effective Receivership (for the twelve and a half years still unexpired) of so much of the Turkish revenues from tobacco, salt, &c. (or any of them) as are assigned for service of this loan with privity of Her Majesty's Government?

In cumulative evidence of the need for interposition is the fact that instalments, ostensibly set apart at Constantinople for service of the loan, were not remitted to London conformably to vital conditions of the bond; that advertisements in the "Times," in respect of matured dividends, &c., have been anonymous only (contrary to usage of other Governments), so that nobody engaged that the payments will be made, much less that funds have been provided; and that such funds have been raised at the eleventh hour, by desperate efforts (at rates 20 and 30 per cent.) incompatible with continued solvency, and on terms subversive of priority of assigned securities.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 160.

Lord Tenterden to Mr. Franklin.

Foreign Office, February 4, 1874.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 29th of December last, upon the subject of the Anglo-Turkish Loan of 1862; and I am to state you in reply, that there is no information at the Foreign Office which will enable his Lordship to reply to the question contained in your letter.

I am, &c.

(Signed) TENTERDEN.

No. 161.

Mr. Franklin to Earl Granville.—(Received February 11.)

London Institution, Finsbury Circus, February 9, 1874.

My Lord,

THE intimation conveyed by Lord Tenterden that the Foreign Office was, on the 4th February instant, without the information applied for in mine dated 29th December, 1873, although it is disappointing, is nevertheless compatible with our expectation and reliance that effective action is being taken and will continue to be taken by Her Majesty's Government for security of our claims.

As means to enable Parliament to appreciate these exceptional claims, and to justify the exceptional action required, your Lordship, and all connected with the Government of 1862, are relied upon to favour publication of the correspondence which I have had the honour to carry on with the Foreign Office on behalf of the bondholders; and I respectfully repeat the invitation to forestall any formal motion for production of papers. Meanwhile, in view of impending measures, whereby the Porte proposes to change in form and to augment in product, the revenues pledged to us with immediate privity of Her Majesty's Representatives, your Lordship's attention is called to what may be a last opportunity to procure interposition of an approved Receivership, and thereby to extricate all parties from a serious dilemma.

I have, &c.

(Signed) J. A. FRANKLIN.

No. 162.

Lord Tenterden to Mr. Franklin.

Foreign Office, February 11, 1874.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 9th instant upon the subject of the Ottoman Loan of 1862; and I am again to refer you to the letter which, by his Lordship's directions, Mr. Hammond addressed to you on the 18th of October, 1870, stating that Her Majesty's Government cannot interfere further in this matter.

I am, &c.

(Signed) TENTERDEN.

No. 163.

Mr. Franklin to Earl Granville.—(Received February 24.)

London Institution, Finsbury Circus, February 13, 1874.

My Lord,

I BEG leave respectfully to recall attention to a paragraph in mine of the 9th instant* which seems to have been overlooked. It refers to the correspondence commencing in 1865, when Earl Russell and Mr. Layard, who had induced us to subscribe the loan, recognized our claims to official interference as conveyed therein.

Mr. Hammond's letter of 18th October, 1870, has always been construed as declining to act upon specific suggestions conveyed in mine of 22nd and 27th September preceding, but not as withdrawing from such continued, not to say "further, interference" as might render a mere "promise" of the Porte, through Aali Pasha, a substantial reality.

I have, &c.

(Signed) J. A. FRANKLIN.

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* This is the letter which he begged might be withdrawn.—J. E. P.

No. 164.

Mr. Franklin to Earl Granville.—(Received February 17.)

London Institution, Finsbury Circus, February 16, 1874.

My Lord,

I RESPECTFULLY ask permission to withdraw my letter of 13th instant* as inopportune in the present condition of public affairs.

The bondholders will continue to be beholden to the Foreign Office for whatever action on their behalf can be exercised, in order that the Ottoman Government may not remain under the delusion that representations made by Her Majesty's Goverment in this exceptional case are merely formal and open to be disregarded accordingly.

I have, &c.

(Signed) J. A. FRANKLIN.

No. 165.

Earl Granville to Mr. Lacock.

(No. 38.)

Foreign Office, February 28, 1874.

Sir,

WITH reference to Sir H. Elliot's despatch No. 195 of the 21st of September, 1872, I have to instruct you to report how the matter of the Syndicate, asked for by the bondholders of the Ottoman Loan of 1862, now stands.

I am, &c.

(Signed) GRANVILLE.

No. 166.

Lord Tenterden to Mr. Franklin.

Foreign Office, March 2, 1874.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letters of the 13th and 16th instant upon the subject of the Ottoman Loan of 1862; and I am to state to you that his Lordship will not refuse to instruct Her Majesty's Embassy at Constantinople to continue their good offices in the matter of the Syndicate as intimated to you in Mr. Hammond's letter of the 18th of October, 1870, should the bondholders require them; but I take this opportunity of repeating that Her Majesty's Government can acknowledge no responsibility on their part towards the bondholders nor any claim on their part to further interference on their behalf.

Her Majesty's Chargé d'Affaires at Constantinople has been instructed to report how the question of the Syndicate now stands.

I am, &c.

(Signed) TENTERDEN.

No. 167.

Mr. Franklin to the Earl of Derby.—(Received March 10.)

London Institution, Finsbury Circus, March 9, 1874.

My Lord,

I HAVE the honour to acknowledge receipt of Lord Tenterden's letter of 2nd instant, intimating that good offices of Her Majesty's Government will continue to be exercised on behalf of the bondholders, and that Her Majesty's Chargé d'Affaires at Constantinople has again been instructed to report on the subject. If the bondholders may hope that something satisfactory is anticipated they will rejoice in such assurance. Yet it remains notorious that the Ottoman Government have never regarded as serious the reclamations of Her Majesty's Representatives in respect of a breach of faith, extending over many years, in the vital principle of a Contract effected by privacy of Lord Palmerston's Government.

* Query, 9th instant? See No. 161.

Your Lordship's attention is respectfully directed to my letter addressed to the Earl Granville, 23rd June, 1873; and while there still remains time for a useful result, Her Majesty's Government is prayed not to deny the bondholders the opportunity therein indicated for evoking Parliamentary opinion upon their claims to the recourse foreshadowed on their behalf, when, in response to encouragement of Her Majesty's Ministers and in support of British policy, the loan was subscribed.

I have, &c.
(Signed) J. A. FRANKLIN.

No. 168.

Mr. Locock to the Earl of Derby.—(Received April 28.)

(No. 115.) *Pera, April 21, 1874.*

My Lord,

IN reply to your Lordship's despatch No. 38 of the 28th February last, which I received by the last Queen's messenger, instructing me to report how the matter of the Syndicate asked for by the bondholder of the Ottoman Loan of 1862 now stands, I have the honour to inform your Lordship that, from what I have been able to ascertain, it would appear that the question remains in a state of abeyance.

The original rights of the shareholders to a Syndicate is undoubted, but the Ottoman Government have argued that this right never having been insisted upon during the first four or five years it has lapsed, and that they will not now consent to establish a Syndicate whose only effect would be to injure the public credit by leading to the inference that there was some uncertainty about the service of the loan. This was the uniform burthen of their replies to the repeated application of the Commission of three gentlemen who urged so long and so perseveringly the claims of the shareholders in 1872.

The matter was later in the hands of a Mr. Stab, who was here until last year on behalf of the shareholders, but the only concession which he obtained, beyond an arrangement of the disputed question of the penny in the pound, consisted I am informed in the arrangement by which the sums paid into the Ottoman Bank for the service of the loan should be published periodically in the public papers.

Your Lordship will allow me to add that after all that has already been done, and the little chance there is of shaking the determination of the Porte, I do not think it would be advisable for the question to be reopened by this Embassy.

I have, &c.
(Signed) SIDNEY LOCOCK.

No. 169.

Mr. Corfield to the Earl of Derby.—(Received June 24.)

31, *Porchester Square, June 23, 1874.*

My Lord,

EVER since the year 1865 a correspondence has been kept up by parties interested in the Ottoman Loans of 1858 and 1862 and the Department over which your Lordship again presides, and my reason for intruding on your Lordship at this moment is in consequence of an announcement in the papers that a new loan was about being contracted with the Imperial Ottoman Bank, which bank was to receive all the revenues of the Empire, including those specially hypothecated to the service of the two loans above mentioned. When the Loan of 1858 was contracted, "the whole of the revenues of the Imperial Government, and as a special guarantee, the duties of the Customs levied at Constantinople, together with such of the octroi dues as accrue directly to the Exchequer, were assigned as a fund for payment of principal and interest of the said loan, and it was stipulated that a special Commission should be formed with a view to the full remittance and deposit in trust in the Bank of England, for due and punctual delivery and payment to the contractors of such sums out of the above-mentioned duties as may be required for the discharge of interest and principal."

When the Loan of 1862 was contracted, it was provided by the Firman and condition of the Board, "that the loan should be secured on all the revenues of the Exchequer," and as those had already been assigned as security for the Loan of 1858, "the tobacco duty, salt duty, stamps and patent tax, were specially assigned to secure the principal and interest of the Loan of 1862;" and a special Commission was to be formed having the

same powers as the Commissioners of the 1858 Loan, with this addition, "that the fund destined for payment and redemption of the bonds, amounting to 320,000*l.* half yearly, should be remitted to the Bank of England, at least one month before the 1st day of July and the 1st day of January in each year, and upon the order of the Ambassador to be transferred to Messrs. Glynn & Co., at least fifteen days before the 1st July and 1st of January in each year." The two special Commissions or Syndicates have never been appointed according to the stipulations in the bonds, although all the requisite arrangements were made by the Committee of bondholders in concert with the Imperial Ottoman Bank and the Council of Foreign bondholders.

In 1865 Aali Pasha sent an official letter to the Committee of the Stock Exchange undertaking to establish the Syndicate for the loan of 1858 without delay.

In 1868 Fuad Pasha stated to Lord Lyons "that it was the intention of the Turkish Government scrupulously to fulfil their engagements, and an essential part of the plan was the formation of a Syndicate to receive the revenues set apart for the payment of the loans, and to see that they were exclusively applied to that purpose." In May 1870 the Earl of Clarendon was informed by Her Majesty's Ambassador at Constantinople that, "if the bondholders of 1862 still persist in their demand that the revenues assigned for that loan should pass into the hand of a Receiver, the Porte is willing to comply with their wishes and to appoint a separate Syndicate charged directly to receive the revenues hypothecated to that loan, and to make the payments as they become due." From 1865 to the present day the Committee of Bondholders, in conjunction with the Council of Foreign Bondholders, has continued assiduously to press the claims of the bondholders on the Ottoman Government, Her Majesty's Ambassador at Constantinople, and the Imperial Ottoman Bank at London and Constantinople, but their efforts on all occasions have been frustrated.

The Ottoman Government undertook to pay the expenses of the Syndicates, but in order that no objection should be raised on that score the bondholders agreed to tax themselves by payment of 1*d.* in 1*l.* In taking the liberty of making this appeal to your Lordship on behalf of the bondholders of 1858 and 1862 it is not necessary to refer to the good offices rendered from time to time by Her Majesty's Government, but I venture to express the hope that, as the Ottoman Government is about to make new financial arrangements, your Lordship will be pleased to send out instructions to Her Majesty's Ambassador at Constantinople to impress on the Ottoman Government the immediate necessity for the appointment of the long promised Syndicates in accordance with the provisions of the bonds, the delay in doing which has caused a fall in the stocks of 1858 and 1862 of 18 to 20 per cent. from the prices at which they were emitted to the great discredit of the Ottoman Government.

I have, &c.
(Signed) G. K. CORFIELD.

No. 170.

Mr. Sanderson to Mr. Corfield.

Foreign Office, June 26, 1874.

Sir,

I MENTIONED to Lord Derby the question which you wished to be submitted to him, as to whether there would be any objection to a Motion in the House of Commons for the correspondence respecting the holders of Turkish Loans of 1858 and 1862.

Lord Derby desires me to say that he is unable to give any positive answer without knowing more precisely the papers which such a Motion would comprise, and the terms in which the motion would be made. His Lordship does not see that the interests of the bondholders are likely to be advanced by such a Motion; but if any Member of the House wishes to move for papers, and will consult Mr. Bourke, the Parliamentary Under-Secretary of State, on the subject, the question shall receive consideration.

I am, &c.
(Signed) T. H. SANDERSON.

No. 171.

Lord Tenterden to Mr. Corfield.

Foreign Office, June 27, 1874.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 23rd instant, requesting that instructions may be sent to Her Majesty's Ambassador at Constantinople to urge the Government of the Porte to appoint Syndicates to the Turkish Loans of 1858 and 1862, and in reply I am to inform you that Her Majesty's Government cannot interfere officially in the matter, but Sir H. Elliot has general instructions to use his good offices with a view to the appointment of a Syndicate for the bondholders of 1862, and a copy of your above-mentioned letter will now be forwarded to his Excellency.

I am, &c.

(Signed) TENTERDEN.

No. 172.

Mr. Franklin to the Earl of Derby.—(Received June 29.)

London Institution, Finsbury Circus, June 29, 1874.

My Lord,

REFERRING to Lord Tenterden's letter of 2nd March last, promising continuance of good offices by Her Majesty's Government, and announcing that Her Majesty's Representative at Constantinople had been instructed to report on the receivership of the assigned revenues; it is assumed (in the absence of further communication to the bondholders) that a satisfactory report has not been received.

Consequently, and in view of circumstances set forth below, some more pronounced manifestation of official or Parliamentary interests in our behalf becomes urgently necessary.

Several financial agencies (including the Imperial Ottoman Bank, which pretends to represent us) whose wholesome rivalry has heretofore protected the Porte from ruinous terms of credit, have lately coalesced in manner to exact such terms, and, as reported, to intercept and control the specific revenues that were assigned for our security with privity of Her Majesty's Government, as witness declarations made at the time in Parliament, and frequently since pointed out in this correspondence.

Accordingly, and at our requisition, reclamations are understood to have been from time to time made at the Porte by Her Majesty's Representatives, but they have become mixed up and confounded with the claims of other Turkish creditors.

Moreover, the nature and force of reclamations made on our specific behalf remain unrevealed in the archives of Her Majesty's Foreign Office, while they seem to have been treated as merely formal and of no effect by even changing occupants of the Turkish Foreign Office, probably not handed down to their successors.

In the present emergency we have reason to believe that the Government of which your Lordship is a leading member, will not incur further responsibility of withholding from the cognizance of Parliament the papers that can elucidate what has been done and what left undone in this matter.

Meanwhile I crave permission to repeat that by certain small services, simply Ministerial and not inconsistent with precedents, it remains even at this eleventh hour within your Lordship's power to save from spoliation the rights and interests created under Lord Palmerston's Government in furtherance of British policy. There is moreover warrant to believe, that the mode of procedure need not be distasteful to the Government of the Sublime Porte.

I have, &c.

(Signed) J. A. FRANKLIN.

No. 173.

The Earl of Derby to Sir H. Elliot.

(No. 43.)

Foreign Office, June 30, 1874.

Sir,

I TRANSMIT to you herewith, for your Excellency's information, copy of a letter which I have received from Mr. G. K. Corfield on the subject of the appointment of Syndicates to the Turkish Loans of 1858 and 1862.*

A copy of my reply to that gentleman is also inclosed.†

I am, &c.

(Signed) DERBY.

No. 174.

Mr. Corfield to Mr. Sanderson.—(Received July 1.)

31, *Porchester Square, June 29, 1874.*

Sir,

I HAVE the honour to acknowledge the receipt of your letter of the 26th instant, in which you inform me Lord Derby is unable to give any positive answer as to a Motion for production of papers relating to the Ottoman Loans of 1858 and 1862 without knowing more precisely what papers such notice would comprise and the terms in which the Motion would be made, and adding, his Lordship does not see that the interest of the bondholders are likely to be advanced by such a Motion. After such an intimation I would not move further in the matter, except after consultation with the Committee of bondholders, and also with the Member who would take charge of the Motion, and to whom I should hand your letter for perusal. When, in 1866, Mr. Hubbard made a Motion for Papers in reference to Turkish finance, and to which the then Chancellor of the Exchequer assented, it had a salutary effect, as publicity in whatever shape presented, and more especially by action in Parliament, cannot fail to have with such a corrupt Government as the Ottoman. This has lately been exemplified from what has appeared in the papers with reference to the intended Loan. I think Lord Derby will be of opinion that the time has arrived when the remonstrances of Her Majesty's Government, as to the breach of faith on the part of the Ottoman Government with reference to the Syndicates for the Loans of 1858 and 1862, will have due effect. The bondholders, therefore, venture to hope that Lord Derby will be pleased to forward instructions on the subject to Her Majesty's Ambassador at Constantinople.

I am, &c.

(Signed) G. K. CORFIELD.

No. 175.

Lord Tenterden to Mr. Franklin.

Foreign Office, July 4, 1874.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 29th ultimo on the subject of the Anglo-Turkish Loan of 1862.

I am, &c.

(Signed) TENTERDEN.

No. 176.

Sir H. Elliot to the Earl of Derby.—(Received July 5.)

(No. 55.)

Therapia, June 24, 1874.

My Lord,

THE inclosed statement of the terms of the rejected Loan and the commentaries upon them, which are extracted from the "Turquie" newspaper, have every appearance of an official origin.

If correct, they would account for the non-ratification of the arrangement, but no explanation is given of the fact of it having been concluded, as is asserted here, without the Porte being acquainted with its conditions.

I have, &c.

(Signed) HENRY ELLIOT.

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* No. 169.

† No. 171.

Inclosure in No. 176.

Extract from "La Turquie" of June 23, 1874.

EXAMINONS maintenant une à une les clauses de cette Convention telles qu'elles sont connues du public, et voyons si le Gouvernement a bien fait de ne pas adhérer à cette combinaison.

Voici, en résumé, les traits principaux de la Convention :—

1. Emission pour le compte du Gouvernement Impérial d'un emprunt de 80 millions de livres sterling, somme nominale, portant un intérêt de 3 pour cent.

2. Taux de l'émission publique fixé à 27, bien que pris à 24 par les banquiers, et partage avec le Gouvernement de la plus-value dépassant le chiffre de 27.

3. Commission de 1 pour cent stipulée en faveur des contractants sur le montant nominal.

4. Avance à faire par les contractants de 6 millions de livres à 12 pour cent d'intérêt de l'an.

Ceci bien établi, les contractants auraient retiré de cette opération les avantages suivants :—

1. Se rembourser, par l'émission du nouvel emprunt, de l'avance de 40 millions de francs faite antérieurement au Trésor.

2. Percevoir une commission de 800,000 livres sterling sur le montant nominal de l'emprunt.

3. Bénéficier de la différence du taux de 24, stipulé dans le contrat, avec celui de l'émission publique fixée à 27.

4. Toucher un intérêt de 12 pour cent sur l'avance qui leur reviendra, en partie, à 6 pour cent, par la libération anticipée des titres.

N'ayant pas connaissance des stipulations particulières, nous ne nous y arrêterons pas. Mais celles qui sont aujourd'hui du domaine public et que nous venons d'indiquer plus haut, font suffisamment ressortir combien était excellente, pour les banquiers, cette opération dans laquelle ils ne prenaient ferme même la plus minime partie de l'emprunt, et qui ne leur imposait aucun engagement sérieux. Il n'en était pas de même du Gouvernement. Celui-ci s'imposait une nouvelle charge annuelle, mais rien ne lui garantissait le placement intégral de son emprunt, et par conséquent les ressources nécessaires pour éteindre sa dette flottante.

Avait-il du moins une autre compensation? Aucune. On invoquerait vainement l'avance des 6 millions de livres; cette avance même, examinée de près, se réduit à zéro.

En effet, si on déduit de cette somme—

	£
40 millions de francs avancés antérieurement, soit	1,600,000
La commission 1 pour cent	800,000
Les intérêts semestriels sur la moitié de l'emprunt qu'on espérait placer, soit ..	600,000
	£3,000,000

Il ne resterait ainsi que la moitié de l'avance, laquelle d'après une rumeur aurait dû être payée au Trésor en divers titres d'Etat, si bien que le Gouvernement n'aurait rien touché de cette prétendue avance.

Autant la conclusion de cet emprunt était, on le voit, avantageuse pour les banquiers, autant elle était préjudiciable à l'État. Le Gouvernement a compris que la ratification d'un tel Traité jetterait immanquablement le discrédit sur les autres fonds publics, au moment même où tous ses efforts tendent, au contraire, à améliorer la situation financière du pays.

Le Grand Vézir a donc eu raison d'agir comme il l'a fait, et l'opinion publique a spontanément applaudi à sa décision avec une unanimité des plus démonstratives.

No. 177.

Mr. Corfield to the Earl of Derby.—(Received July 7.)

31, *Porchester Sqxare, July* 3, 1874.

My Lord,

I HAVE the honour to acknowledge the receipt of Lord Tenterden's letter of the 27th ultimo, in which his Lordship informs me that "Sir Henry Elliot has general instructions to use his good offices with a view to the appointment of a Syndicate for the

bondholders of 1862." My letter of 23rd ultimo recites the stipulations of the Bond of 1858, which are similar to the conditions of the bond of 1862, by which a Commission to receive the revenues specially hypothecated was to be appointed, I am advised a Syndicate was duly appointed by Messrs. Dent, Palmer, and Co., the Agents for the 1858 loan, but which ceased to be effective in 1862, in consequence of the Ottoman Government and Bank having provided a Syndicate for both loans, and set it in operation, but as to which nothing was ever publicly known, nor when the bondholders demanded a Syndicate was its existence disclosed. This may have been lost sight of as the correspondence with the Foreign Office has reference more especially to the Loan of 1862.

It must be borne in mind that both these loans were recommended to the notice of the public by letters written by members of the Government of that day, and that both loans were emitted "for the extinction of the paper money and the funding of the floating debt." Messrs. Dent, Palmer, and Co., have from time to time taken steps with the Council of Foreign Bondholders to re-establish the Syndicate in accordance with the conditions of the Bond of 1858, but their endeavours to induce the Ottoman Government to fulfil the contract were fruitless, notwithstanding numerous remonstrances from committees, contractors, and Her Majesty's Ambassador at Constantinople; and when at last Commissioners were appointed they were not allowed to enter upon their duties; and matters remain in this unsatisfactory state to the present day. Your Lordship is respectfully requested, in view of the intended loan, to instruct Sir H. Elliot to remonstrate with the Ottoman Government, and urge the immediate necessity of a Syndicate being appointed for the Loans of 1858 and 1862 before the new loan is contracted for, otherwise steps will be taken to bring the whole case to the notice of the Stock Exchange Committee.

I am, &c.
(Signed) G. K. CORFIELD.

No. 178.

Mr. Corfield to the Earl of Derby.—(Received July 9.)

31, *Porchester Square, July 7*, 1874.

My Lord,

SINCE I had the honour of addressing you on the 3rd current in reply to Lord Tenterden's letter, I have received from the Council of Foreign Bondholders an extract from a declaration signed by his Excellency Musurus Pasha, and dated 17th September, 1872, which I beg leave to annex as another instance of promises made by the Porte to the bondholders of 1858 and 1862.

I have, &c.
(Signed) G. K. CORFIELD.

Inclosure in No. 178.

AS some parties in the name of the "1858 and 1862 Bondholders" objected to the arrangement decreed by the "Iradé Imperiale of 1862," and demanded the establishment of separate Syndicates for each of the said issues, conformable to the letter and spirit of the conditions and stipulations, I declare the Imperial Government is ready to consent to the establishment of a special Syndicate for each of the two loans, or to maintain the arrangement of 1866, according to the decision of meetings convoked by the Imperial Ottoman Bank and Messrs. Dent, Palmer, and Co.

Memo.—Two meetings of bondholders having been held, the Government had the expression of opinion as to complying with its obligations, and that no expression of opinion in the way proposed would release it from its obligations.

The 1858 Committee and Council of Foreign Bondholders considered the Law of 1866 constituted a Conversion of the External Bonds and Internal Bonds, placed under the jurisdiction of the Ottoman Government, and that whereas a Government has legislative authority over internal stock, it has no power to alter a Contract entered into with foreign parties constituting an external stock.

Full compliance with the conditions and stipulations of the several bondholders required, as an illustration of the ruinous effect of allowing matters to remain in their

present state of uncertainty, and of the Porte sending the performance of its obligations to England, it is to be observed that the 1858 and 1862 Six Per Cent. Loans have fallen in value about 18 to 20 per cent., while the Five Per Cent. Internal Loan, having no special hypothecations or sinking fund, has risen nearly cent. per cent.

(Signed) G. K. CORFIELD.